

2016



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[FY 2016-17 OPERATING BUDGET]

The Springfield City Council presents this FY 2016-17 Operating Budget to the residents and businesses of Springfield. This budget represents the City's best efforts to provide necessary municipal services in a responsible and effective manner. Questions can be directed to the City Manager.

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EXECUTIVE SUMMARY

The City of Springfield has shared in the consequences of the economic downturn of the past 10 years and has seen nominal yearly improvements related to job growth, property values, local tax revenues, and an overall sense that things in Michigan are improving; albeit at a slower than desired pace. Local economies around the state are recovering; some more than others. It will be important for the City of Springfield to identify those factors that encourage better than average improvement in the coming years. Fiscally, City officials have consistently made financial decisions, while difficult, that serve to bolster Springfield's financial future. Springfield's financial health has always been paramount to City officials, and that shows with our track record and ability to weather even the worst economic storms that come our way. The City understands that good financial health directly impacts our ability to deliver excellent service to our residents.

The State of Michigan's economy has been improving. Unemployment is down statewide and in Calhoun County. Budget surpluses have been the norm for three years. However, there are areas of concern: The State of Michigan completely restructured the way it taxes businesses and corporations. Not considering the different political positions on that restructuring, one thing for certain is that the State does not yet know how to accurately forecast revenue from this restructured tax. In fiscal year 2015-2016, the state got their estimate wrong to the tune of \$500 million dollars pertaining to this new restructured tax! So, while there has been a steady budget surplus the last couple years that does not mean the City of Springfield will receive more state shared revenue. In fact, state shared revenue has remained flat for the past 5-7 years, while inflation has slowly ticked up. Springfield has positioned itself to weather this uncertainty on the state level but it is not sustainable for the long term as demand for city services changes.

The Fiscal Year 2016-2017 Budget is the result of the dedicated work of a number of city staff members and elected/appointed officials. Thank you is due to the Springfield City Council and the City's Department Heads for their assistance in developing this budget. In addition, the staff of the City's Finance Department provided valuable support in preparing revenue and expense projections, while the entire workforce of the City has been supportive in trusting and following the City's leadership efforts, even as those efforts have led to changes in employee work hours, salaries, benefit packages, and job duties/requirements.

This document represents a diligent effort to provide an affordable, high-quality, and safe environment for our employees, residents, business owners, and visitors. It is designed to provide a transparent view of the City's current funding practices, historic financial health, and our projections for future revenues and expenditures.

This Executive Summary will highlight a number of the key issues affecting the City's finances. This summary will also outline many financial and administrative decisions that officials have made to appropriately address the needs of our taxpayers in light of the financial constraints that our City must operate within. A more in-depth analysis of the revenues and expenses proposed for the fiscal year is provided later in the document. Any questions regarding this budget document should be addressed to the City Manager's office.

State Economic Impact

The State Legislature and Governor have made significant changes to Michigan local revenue sharing program over the last few years. Thankfully, the red tape of EVIP is gone; replaced by the CVTRS which more or less mirrors the old statutory revenue sharing originally in place. However, the funding level of CVTRS has not made up for the billions of dollars lost in the last 15 years. This money has been used to shore up other areas of the State budget rather than going to local governments as promised. CVTRS payments for FY 16-17 will only amount to 39% of what Springfield's statutory revenue sharing amount was in the year 2000.

While the State has worked hard to create budget surpluses and reign in spending, two major setbacks in FY 15-16 will ensure that Springfield will not see any sort of increase in revenue sharing in FY 16-17. The Flint Water Crisis has devoured tens of millions of dollars of State funding thus far; with more expected in the near future.

Also, the bailout of the Detroit Public School system will cost Michigan taxpayers over \$700 million dollars. These two events will have repercussions for the next few fiscal years but there is another challenge to consider: inaccurate State revenue estimations. Because of the complete overhaul of the corporate tax program by Governor Snyder, uncertainty has led to an overestimation of State tax revenue of around \$500 million. These challenges will mean that Springfield officials will need to be very careful with financial planning due to uncertainty at the State level.

This loss of revenue continues to have a negative impact on Springfield's ability to provide basic services to our residents. Local governments throughout Michigan were structured financially to operate partially via local property tax revenues and partially via revenues from State sales tax collections. As these sales tax collections continue to remain uncertain, Springfield and other communities will continue to struggle to provide basic services to our local taxpayers. The City will continue to work closely with the Michigan Municipal League to correct failing state financial policies that have hurt municipal financial systems since the recession of 2008.

Residential Development

The Legion Villa site is completely remediated and the new owners have agreed to present a preliminary development plan to the Springfield Planning Commission within 2 years. This is a large parcel of land in a prime location for residential development. It is also the first time in the City's history that this property has been on the tax role.

The City continues to encourage construction in its 2006 Orchard Hills investment. The land was developed into a platted subdivision with streets, curbs/gutters, storm sewers, water service, sanitary sewer service, and buried electrical/cable/telephone service. Since FY 07-08, 44 lots have been sold and developed. It is anticipated that between one and five lots will be sold and developed in FY 16-17. The completed development should add approximately \$40,000 annually to the City's property tax collections and \$25,000 annually to the City's Income Tax revenue.

City's Bond Rating

In September 2014, Standard & Poor's upgraded the City of Springfield's bond rating to AA- from A+ with a stable outlook. According to Standard and Poor's Ratings Direct, Springfield's thorough financial management policies contributed to the upgrade:

In our opinion, Springfield's budgetary performance is strong with a surplus of 2.8% for the general fund and a surplus of 8.3% for the total governmental funds at fiscal year-end June 30, 2013. Management has maintained consistently balanced operations despite its constrained revenue environment and tax base declines due to conservative budgeting and careful monitoring of expenditures, particularly personnel-related expenditures.

Springfield's management practices are considered "good" under Standard & Poor's financial management assessment (FMA) methodology, indicating that practices exist in most areas although not all may be formalized or regularly monitored by governance official.

We believe Springfield's debt and contingent liabilities profile is very strong. Net direct debt is 39% of total governmental fund revenue, and total governmental fund debt service is 1.8% of total governmental fund expenditures. Approximately 82% of the city's direct debt will be repaid over 10 years, which, in our opinion is a positive credit factor.

Liquidity we consider very strong supports Springfield's finances, with total government available cash at 104% of total governmental fund expenditures and at 57.8x governmental debt service. Based on past issuance of GO debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.

The stable outlook reflects our expectation that Springfield will maintain very strong budgetary flexibility and liquidity, supported by strong budgetary performance and strong management conditions, throughout the two-year outlook period.

–Standard and Poor’s

The City’s bond rating is expected to remain unchanged during FY 2016-17.

PA 425 Agreements

In 2005, 2007 and 2008, the City of Springfield entered into three separate PA 425 annexation agreements with the City of Battle Creek. The agreements were each crafted to encourage investment in the *Magnificent Motor Mile* Business Improvement District. To date, the agreements have resulted in a large-scale redevelopment and expansions of the Henkel Chrysler-Dodge dealership, the Battle Creek Honda dealership, and have fostered a similar redevelopment effort at Sunshine Toyota. All three Springfield businesses have decided to invest in their local properties rather than relocate to higher profile areas near the interstate.

The temporary annexation agreements were necessary to help the property owners obtain certain redevelopment tax credits following their investments. One agreement remains active and two agreements have expired and the properties have returned to the City’s ad valorem tax roll. The new investment in Springfield is expected to add \$1.5 Million in taxable value.

Income Tax Fund

The Income Tax Fund continues to be the most stable and reliable revenue source for the City of Springfield. Increased compliance efforts in recent years coupled with an improving economy has increased income tax revenue nearly 30% over the last five fiscal years, with estimated revenue of \$937,800 for FY 2016-17. Annual income tax revenue growth of 3-5% is expected for the next few years.

The Income Tax Fund has had a long history of providing funding for infrastructure improvements and Public Safety expenses. This year is no different, with the Income Tax Fund providing \$375,000 for street improvements and \$400,000 to assist the General Fund with Public Safety expenses. With strong revenue growth in the near future, the Income Tax Fund will continue to allow the City to make needed infrastructure improvements and provide excellent Public Safety services to residents and business owners.

Pay As You Go Capital Improvements

The FY 16-17 Budget provides funding for a number of exciting and much-needed capital improvements. The City will be undertaking a major street replacement program. The West End Addition will receive all new streets at a cost of \$100,000. Upton Avenue between Helmer and 20th Street will be resurfaced as well as its corresponding neighborhood streets in the area. This is expected to cost \$350,000. The City has also contracted with Fleis and Vandenbrink to conduct a 20-year Water system capital improvements plan. This plan will map out necessary improvements over a 5 and 20 year period. Finally, the City will be replacing some of its old Traverse hydrants and updating them with new East Jordan models. This should improve hydrant flow rates and possibly improve the City’s ISO rating.

Debt Retirement

The City of Springfield has been diligent in reducing its debt load since the Great Recession in 2008. Total outstanding debt has shrunk from \$3.1 Million in 2008 to \$1.5 Million at the end of FY 2015-16. During this timeframe, the City has completed final payments on 1993 Helmer Farms capital improvement debt, 1995 street improvement debt, 2003 Farmers Market debt, and 2006 firetruck debt. At the end of FY 2019-20, three more debt issuances will have been paid in full and the City's total outstanding debt will be a mere \$715,000, barring any new debt issuances. This aggressive reduction in long-term debt gives the City of Springfield financial flexibility in the coming years.

As is indicated later in this document, it is the policy of the City's administration to avoid unnecessary long-term debt, and instead focus on other funding mechanisms – i.e. State and Federal grants, current cash reserves, and dedicated savings for planned investments. We believe this policy will help improve fiscal flexibility by allowing the City to focus resources on key governmental services rather than debt service.

Health Insurance Costs

The past decade has brought unprecedented increases in health insurance costs to the City of Springfield and many other municipalities across the country. Previous efforts to limit/reduce the City's costs associated with health insurance have ranged from capping retiree health benefits, switching insurance providers, requiring employee cost-sharing, and providing financial incentives for employees with other health insurance options to decline the City's health benefits. Most recently, the City negotiated with the AFSCME represented employees to end retiree health insurance for those hired after 2014. These costs continue to rise, and evaluation of the costs must be done on an ongoing basis to keep this issue from growing to an unmanageable level. For FY 16-17, the City expects healthcare premiums to rise 8 to 12%, but there are uncertainties that still remain with the rollout of the Affordable Care Act; namely reports that the private marketplace is expecting rate hikes in the range of 15 to 25%.

Retirement and Other Post-Employment Benefits (OPEBs)

The City of Springfield funds its employee pension programs through a monthly payment to the Municipal Employees Retirement System of Michigan (MERS). Each year, the City receives a report from MERS that outlines the overall health of our pension programs. The most-recent actuarial report, which covers all contributions and distributions through December 31, 2015, indicates that the City of Springfield has funded approximately \$7.23 Million of its \$10.31 Million accrued pension liability or 70%. During calendar year 2015, \$820,000 in pension payments were made to retirees and/or beneficiaries. Currently, all City employees contribute at 2% of their wages to the cost of their MERS pension.

OPEBs offered by the City of Springfield include retiree health insurance and retiree life insurance. Currently, the City funds the OPEBs on an annual basis through the General Fund. Total OPEB funding is approximately \$90,000 annually. However, for new hires, retiree life insurance has been eliminated and retiree health insurance has been replaced by a pay-as-you-go program while employees are active. These changes will cause the City's OPEB liability to slowly decrease and eventually become zero.

Future Years' Expectations

As the Springfield City Council explores collaborative efforts with outside agencies, it is anticipated that meeting our annual obligations will become easier. However, it will be important for the City to project its revenues long-term in order to make sound fiscal decisions on an annual basis. Current laws regulating our property tax system, which represent our largest General Fund revenue source, make it difficult for communities like Springfield to grow their tax revenues after a period of reductions. It is anticipated that our City's assessed value will require a minimum of 8-10 years to rebound from the losses experienced over the past four fiscal years; and that rebound period could expand significantly if assessments continue to decline during 2016 and 2017. Accordingly, it is important that the City's leadership continue to explore appropriate combinations of expense reductions and revenue enhancements to ensure that our residents and business owners continue to receive the services that they need at a cost that is affordable and reasonable. Following FY 2016-17, the City anticipates having cash reserves in the General Fund and Income Tax Fund totaling approximately \$2.1 Million.

Conclusion

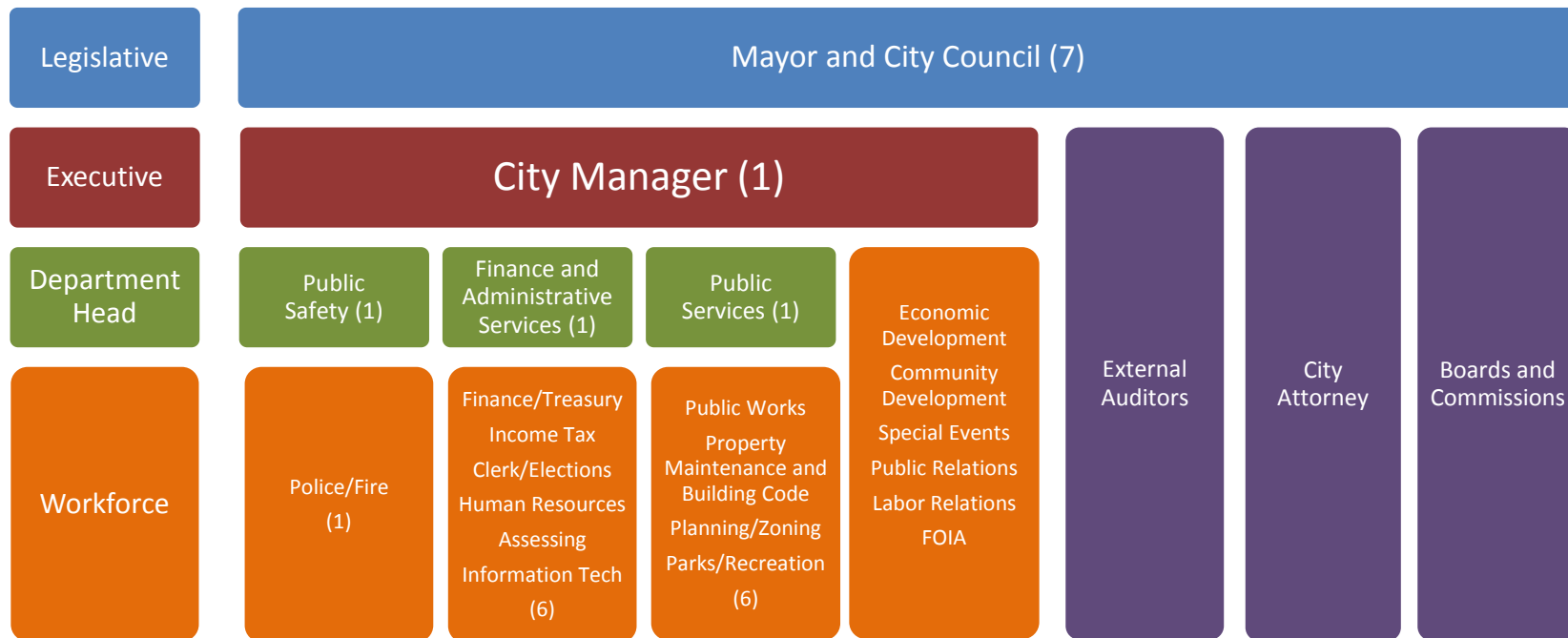
There are a number of issues that continue to affect Springfield's finances; some positive, and some negative. The City's administration will be persistent in its efforts to provide a high level of fiscal management that focuses on reducing unnecessary costs and improving revenues while providing excellent services at an affordable cost to our tax payers. Accordingly, this FY 2016-17 Budget is respectfully submitted.

A handwritten signature in black ink that reads "Nathan R. Henne". The signature is written in a cursive style with a large, stylized initial "N".

Nathan Henne
City Manager



ORGANIZATIONAL CHART



Beginning October 1, 2013, Springfield contracted with the Calhoun County Sheriff's Department to provide police service. In addition to 1 regular part time and 16 regular full time employees, the City has 7 part-time contractual positions that provide Assessing, Attorney, Income Tax, Inspector, and Computer Network services. On call part-time Fire Fighters total 21 and the City routinely utilizes 2 part-time seasonal employees.

PERMANENT POSITIONS

The FY 2016-17 budget includes funding for the salaries and benefits of 16 full-time employees. The number of full-time funded positions decreased from 28 to 16 with the consolidation of police service October 1, 2013; a decrease of 43%. There was no job loss with the police consolidation. All of Springfield's public safety officers transferred to either the Calhoun County's Sheriff Department or were hired by the City of Battle Creek's Police Department. These numbers do not account for seasonal labor, part-time employees, contractual employees or paid on-call firefighters that assist the Fire Department as needed.

FY 2016-17 will mark the eighth full budget cycle that excludes the City's full-time Assessor and one Public Works Laborer and the third full fiscal year that the Public Safety Department will be contracting with the Calhoun County Sheriff for law enforcement services. These reductions are shown in the table below. They were made as the City strives to provide adequate services within the confines of the revenue available; Springfield has reduced its full-time workforce by 54% since FY 2006-07. In addition, this budget year is the seventh in which full time non-union staff members work four 9.5-hour days per week. Limiting employees to 38 total hours per week will produce a net payroll savings equal to approximately \$15,000. The table of positions below indicates the normal staffing level for each of the City's departments.

Department	Position	FT Employees	
		2006-07	2016-17
City Manager	City Manager	1.0	1.0
Finance & Admin Services	Director	1.0	1.0
	City Clerk	1.5	1.0
	Finance/Admin Clerk	3.0	3.0
	Income Tax Auditor/Clerk	2.0	2.0
	Assessor	1.5	0.0
Public Services	Director	1.0	1.0
	Supervisor	1.0	1.0
	General Laborer	5.0	4.0
	Public Services Clerk	0.0	1.0
Public Safety	Director	1.0	0.0
	Fire Chief	0.0	0.5
	Office Manager	1.0	1.0
	PS Sergeant	4.0	0.0
	PS Officer	12.0	0.0
Total		35.0	16.5

*In addition to regular full-time employees, the City has a regular part-time Fire Chief, 7 part-time contractual employees; 21 part-time fighters and 2 seasonal part-time employees.

Employee Wages and Benefits

The City of Springfield offers its full-time employees a reasonable wage and benefit package. Salaried employees are offered a flat salary as compensation, while hourly employees are paid on an hourly basis, including overtime as per State of Michigan law and appropriate labor contracts. Below are lists of wages and fringe benefits in place for Fiscal Year 2016-17. The number of full-time employees in a given pay grade is shown in parentheses.

Organized Labor Base Wage Schedule

AFSCME		
Step 1	\$35,506	
Step 2	\$37,336	(1)
Step 3	\$43,659	(3)

Non-Union Base Wage Schedule

	Administrative	Finance/Income Tax Supervisory	City Clerk	DPW Supervisory
Step 1	\$29,344*	\$41,970* (2)	\$45,770	\$53,394 (1)
Step 2	\$32,387*	N/A	\$47,850	N/A
Step 3	\$34,600* (1)	N/A	\$49,930	N/A
Step 4	\$36,694* (3)	N/A	\$52,020	N/A
Step 5	\$40,548* (1)	N/A	\$57,500 (1)	N/A

*Represents four-day, 38-hour regular work week beginning July 2008.

Department Head Salaries

Position	Base Salary
City Manager	\$79,900
Public Services Director	\$62,350
Finance & Admin Services Director	\$62,350
Fire Chief (Part-time)	\$30,900

Current Fringe Benefits Provided

Fringe Benefit	Estimated Annual Cost	
Long-term Sick Leave	\$7,200	Based on 5% usage
Longevity Pay	\$10,900	Payments to employees
Life Insurance	\$2,800	Employer paid premium
Health Insurance	\$119,400	Net cost after employee share
Retirement	\$214,700	Employer contribution
Total Estimated Cost	\$355,000	

BUDGET PROCESS

The City of Springfield begins work on its annual budget immediately after the audited financial report of the previous year is complete. The first step in the annual budget process is to review the previous year's audited financial statement and update the actual cash balances of the City's funds. The next step is the completion of the annual Capital Improvement Plan, which is presented by City staff to the Planning Commission in December; and to the City Council in January. Individual City Departments begin preparing their budgets in February, and the City Manager considers their departmental recommendations in March. A proposed budget is provided to the City Council by the second meeting in April, and the budget study session is scheduled. At the budget study session, the City staff presents the proposed budget to the City Council and addresses any questions or concerns. Once an agreement is made on the revenues and expenditures for the Fiscal Year, the proposed budget is made available for the public to review; a public hearing is set for the second meeting in May. The final budget is adopted following the public hearing; at this time the annual millage is set, and the City's fee schedule is adopted. The new budget becomes effective each July 1st. Throughout the entire budget process, staff and elected officials review current goals and develop new goals for the upcoming budget year(s); the goals are adopted along with the annual budget. The schedule and corresponding staff budgeting responsibilities are outlined below.

FY 2016-17 Budget Preparation Schedule

Step 1	Staff Begins Work on Annual Capital Improvement Plan	November 19, 2015
Step 2	Annual Capital Improvement Plan Adopted	February 18, 2016
Step 3	Department Heads Receive Budget Worksheets	February 26, 2016
Step 4	Proposed Budget Worksheets Received by City Manager	March 14, 2016
Step 5	City Manager/Department Head Budget Discussions	March 20, 2016
Step 6	Proposed Budget Received by City Council	May 1, 2016
Step 7	Public Hearing Set	May 16, 2016
Step 8	City Council Budget Study Session	May 16, 2016
Step 9	Notice of Public Hearing Published in Local Newspaper	May 17, 2016
Step 10	Public Hearing Help and Comments Received	June 6, 2016
Step 11	Adoption of FY 2016-17 Budget	June 6, 2016
Step 12	FY 2016-17 Budget Implemented	July 1, 2016

Department Head Budget Preparation Responsibilities

Nathan Henne, City Manager	City Council, City Manager, Tax Increment Finance Authority - Expenses, Economic Development Fund - Expenses, Farmers Market Fund, Drug Enforcement Fund, Police Department
Ethan Moody, Finance Director	Revenues - all Funds, Wages & Benefits - all departments, Administrative and Labor Allocations - all departments, Finance and Administrative Services Dept, Income Tax Fund, Utility Billing, Refuse Fund, Vehicle Fund, Debt Service
Terry Blaniar, Public Services Director	Public Services Dept, Street Funds - Expenses, Sewer and Water Funds - Expenses, Vehicle Fund - Public Services
Joe Teixeira, Fire Chief	Fire Department, Vehicle Fund - Public Safety

GOALS AND OBJECTIVES

Annually, the City of Springfield’s elected and appointed officials develop a number of goals and objectives to guide the City’s spending for the upcoming fiscal year. These goals are developed over the budget preparation period, and take into consideration the needs of the residents and business owners, the desires of the elected officials, and the general financial welfare of the City. Below is a list of some of the issues facing the city over the next 12+ months, a list of some of the City’s accomplishments from the past 24 months, and a list of goals for the City to work toward over the next year.

Ongoing Issues Driving City Goals and Objectives

Funding	<ul style="list-style-type: none"> i. While the budget is balanced for 2016-17, revenue sources remain fickle; especially when considering shared revenue from the State of Michigan. It will be important to carefully estimate future revenue as well as closely monitor expenditures.
Expenses	<ul style="list-style-type: none"> i. There is an ongoing need to reduce expenditures to match revenue sources, or develop a mechanism to handle the increased costs to the City. ii. Health insurance costs continue to rise. Major changes have been implemented, but management must continue to monitor and review new programs. iii. Gasoline prices have abated from their \$4.00 + territory 2 years ago but the current over supply is not expected to last more than 12 months. iv. Costs related to Other Post-Employment Benefits (OPEBs) have grown at an unsustainable rate over the past 10 years. The City’s unfunded liability related to these OPEBs is currently more than \$1.6 Million, and growing. The city recently negotiated an end to all new hire retiree health insurance.
Fund Balances	<ul style="list-style-type: none"> i. The General Fund’s cash reserves are in the most stable position since the 1990s. <ul style="list-style-type: none"> ▪ There is a need to balance the General Fund budget without relying heavily on transfers from other funds. ▪ There continues to be great concern with natural growth in expenses outpacing the natural growth of revenues, and that ultimately resulting in major losses in cash reserves. This could accelerate if the current property tax structure is not revised at the state level ii. Income Tax Fund Balance has shown consistent surpluses. <ul style="list-style-type: none"> ▪ All bond payments were removed from the Fund’s obligations in FY 07-08, as the City Council shifted the funding priority from infrastructure improvements to funding personnel. However, priorities have shifted back to funding infrastructure. Future budgets may include new bond payments of project costs are too high to sustain pay-as-you-go. ▪ The Income Tax Fund contributes direct funding to pay-as-you-go projects.
Redevelopment	The Exit of Pulver Dryer means that the Roberts Packaging building is vacant yet again. It will be important to work with outside development firms to ensure the city’s vacant sites are utilized. A number of existing vacant commercial and industrial sites could be redeveloped and put to use.
Business Needs	As businesses struggle through the State’s slowed economy, Springfield must be aware of their needs, and continue to provide an environment that encourages retention, growth and development.
Recreational	The availability of recreational activities continues to be an important aspect of business and residential attraction and retention.
Public Safety	In October of 2013, the City eliminated its law enforcement arm of the Public Safety Department and contracted with the County Sheriff. The Public Safety building continues to be used as a base of operations for deputies assigned to the City of

Springfield. This contract will save the City an estimated \$2 million over the next 5 years. The City Fire Department has reorganized with a new command structure. Needed equipment has been purchased and the City is due to address the 25 year mark for its only ladder truck. NFPA recommends replacing it. Not doing so could adversely affect the City's home insurance rates.

Recent Local Accomplishments

The Legion Villa Property demolition was completed in 2016 and the property sold to a local developer. It is expected that a property master plan will be submitted to the Planning Commission within 2-3 years. This is the first time the property has been on the tax roles as it's nonprofit or government status existed before Springfield's founding in 1953.

\$450,000 of street repaving took place in 2016. No new taxes or special assessments were needed. Most of the project was funded with transfers from the Income Tax Fund balance.

A \$80,000 grant was received from FEMA in 2015 to replace aging Fire Department gear.

\$135,000 in grant funding was received for the law enforcement contract transition. This includes re striping Springfield Police cars, updating records management software, training, legal services, and much needed gear for Springfield's paid on call firefighters.

In 2014, Dobo's lawnmower opened their new headquarters and service center in on West Dickman Road.

Federal funding was secured to reconstruct the intersection of Avenue A and Dickman Rd to address safety concerns at the intersection, and to open the new intersection for future commercial development. The project will take place in the proposed fiscal year.

Federal funding was secured to resurface all of Goguac Street and parts of Avenue A and Upton Avenue in the current fiscal year. The City's costs are equal to 20% of the total construction cost.

PulverDryer, USA was attracted to the former Robert's Packaging building near Avenue C and 20th Street. The 100,000+ sf building will house their corporate world headquarters, research/development, and manufacturing components of the entity. They expect to employ 100+ employees.

\$150,000 in grant funding was received in FY 10-11 to improve the farmers market. The new commercial kitchen and year-round vendor booths will make the market more attractive to visitors and renters. \$90,000 in matching funding was provided by TIFA D. New income from banquet and kitchen rentals help offset operating costs at the farmers market.

\$30,000 in grant funding was received in FY 11-12 to install a new neighborhood park on 27th St. near Wellworth Ave. \$30,000 in matching funding was provided by TIFA B. The park has been named in honor of Councilmember B. Carol Hinton's 22+ years of service to the City of Springfield.

A new business park sign was installed at Helmer Farms Industrial Park in FY 10-11. Two new businesses opened in the park in early 2011.

Nearly \$500,000 in grant funding was received in FY 09-10 to resurface all of the streets in the Heights and West Lake Woods neighborhoods.

\$245,000 in grant funding was received in FY 10-11 to reconstruct New Moon Terrace and add new storm sewers and new curbing.

Federal grant funds were awarded to assist in the purchase of a street sweeper, a dump truck, and two police cruisers; grant proceeds for the purchases totaled more than \$290,000.

More than \$725,000 in ARRA funds were received in FY 09-10 to reconstruct Harmonia Road.

A 425 Agreement with the City of Battle Creek was completed to retain Sunshine Toyota and Battle Creek Honda on the Magnificent Motor Mile and facilitate their redevelopment and expansion efforts.

The vacant Suzuki dealership was redeveloped to house the Express Auto dealership.

The Linear Park path was extended along Helmer Rd from Dickman Rd north to the Kalamazoo River.

Avenue A and 20th Street were milled and resurfaced with Federal Funds in 2008.

Harmony Lane, Starlight Street, and Sundown Street were reconstructed with new street surfaces, storm sewers, curbs/gutters, and concrete drive approaches in 2009.

A Joint Assessor position was created in conjunction with Pennfield Township.

The Orchard Hills Subdivision development agreement was expanded to allow for additional builders to purchase/develop lots in an effort to expedite the subdivision's overall development. 16 new homes have been built since 2007.

The Farmers' Market was expanded to offer more events, accept WIC/EBT/Debit/Credit payments, and to operate year-round.

A new sign was erected at the Farmer's Market to better-advertise the market's location and events.

Federal funding was secured to mill/overlay Jackson Street and complete the Linear Park Path south of Dickman Road to the city's southern border.

A new community branding effort was complete, with *Picture Yourself in Springfield* as the main theme. Marketing efforts have included a 5 minute video, internet advertising, and participation in the *History of Battle Creek, Marshall, and Springfield* publication, radio advertisements, and Facebook activity.

The upcoming year will see Springfield staff work to accomplish the following goals and objectives:

Goal #1	Improve Springfield's Image
Objective 1a	Work with property owners to expedite the correction of existing code violations.
Objective 1b	Provide assistance to property owners who cannot afford needed improvements.
Objective 1c	Continue to enforce the structural building code.
Objective 1d	Create and adopt a <i>City-Wide Master Development and Land Use Plan</i> .
Objective 1e	Update current code to ensure appropriate land use and zoning decisions.
Goal #2	Accomplish Projects outlined in the Capital Improvement Plan
Objective 2a	Complete repaving projects
Objective 2b	Complete water main and hydrant replacement per the City's water reliability study
Objective 2c	Apply for grants to replace 2 police vehicles in FY 2017-18
Goal #3	Grow the City of Springfield to a sustainable level
Objective 3a	Continue to promote the Orchard Hills Development; build 5 homes.
Objective 3b	Work to promote multi-family residential construction on 25 vacant acres east of Wyndtree condos.
Objective 3c	Facilitate the development of business enterprises that provide the day-to-day services and merchandise that our community members utilize (i.e. groceries, dining, etc.).
Objective 3d	Promote the City of Springfield as a great place for business investment.
Goal #4	Assess property owners fairly and adequately for City services
Objective 4a	Review utility rates and adjust accordingly.
Objective 4b	Continually review department budgets to reduce spending where appropriate
Objective 4c	Continue to work regionally and cooperatively with other area municipalities.
Objective 4d	Implement financial guidelines that restrict deficit spending and regulate cash reserves to ensure that the reserves stay within acceptable minimum and maximum limits.
Goal #5	Improve local government transparency
Objective 5a	Publish a <i>'Springfielder'</i> newsletter twice per year.
Objective 5b	Communicate with residents and businesses through utility billing.
Objective 5c	Continue to reach residents through social media (Facebook, Twitter, etc)

Goal #6	Provide a safe and secure environment for residents/businesses/visitors
Objective 6a	Continually review Law Enforcement contract with the County Sheriff to improve efficiencies while reducing expenses related to policing.
Objective 6b	Encourage residents to utilize existing emergency communication resources to reduce crime.
Objective 6c	Promote Springfield Fire Department. Hold 3 public events at the fire station.
Goal #7	Encourage Employee Development
Objective 7a	Provide training opportunities for employees to perform more effectively.
Objective 7b	Provide training opportunities for employees to advance within the organization.
Objective 7d	Cross train employees within departments in accordance with succession plan.
Goal #8	Develop Springfield into a <i>Best Practices</i> example for financial management
Objective 8a	Review administrative structure to encourage more efficient provision of City services.
Objective 8b	Develop a means to reduce the City's healthcare costs without creating an unreasonable financial burden for employees.
Objective 8c	Explore other private and public funding sources for capital improvement projects.
Goal #9	Improve our Residents' Quality of Life
Objective 9a	Improve maintenance of Upton Park pond area.
Objective 9b	Provide/host car show, Fall fest, mom to mom sale, and chili cook-off at the Farmers' Market.
Objective 9c	Partner with local organizations to provide new recreational opportunities
Objective 9d	Invest in recreational activities that encourage youth involvement in recreation.
Objective 9e	Provide recreational opportunities that meet the needs of our senior populations.
Objective 9f	Invest in infrastructure that encourages pedestrian and bicycle travel throughout the City.



2016-21 Capital Improvement Plan

Adopted:
February 22, 2016(Planning Commission)
March 7, 2016 (City Council)

This document outlines planned capital improvement expenditures for the City of Springfield for Fiscal Years 2015-16 through 2020-21. Projects included in this document are considered to be flexible and changeable depending on the status of the City’s financials and the need for unexpected investments. This document is updated and adopted annually by the Springfield Planning Commission and City Council.

City Council Members

Harry Burdett, Mayor
Larry Eib, Mayor Pro Tem
Maxine Morgan
Art Hollingsworth
Tom Riley
John Navarro
Richard Young

Planning Commission Members

Richard Bauer
Wesley Brandt
Harry Burdett
Art Hollingsworth
Shirley Jessup
Brent Folkema
Doug Wright
Marie Hall

Presented By: Nathan Henne, City Manager
Terry Blaniar, Public Services Director

The following projects are expected to be undertaken in FY 2015-16:

1. Residential property revitalization of Legion Villa and the surrounding 68 acres. **COMPLETE**

Project Description:

Demolish blighted buildings.

Project Funding Breakdown

General Fund	\$	145,000
TIFA D Fund	\$	259,000
Grants (awarded)	\$	135,000
TOTAL	\$	539,000

2. Backhoe Purchase **COMPLETE**

Project Description

This project will encompass the purchase of one back hoe to be used for public works activities, including water, sewer, and street maintenance. The current backhoe is a 2005 and has been used extensively. Prior to the purchase of the front end loader, it was used to load salt. This has caused some components to corrode much faster than normal.

Project Funding Breakdown

Vehicle Fund	\$	105,000
Total	\$	105,000

3. Replace fire department SCBA breather packs **COMPLETE**

Project Description

This project would update all breather packs for the fire department, replacing all 11 SCBAs and 11 backup bottles. Our current stock is so dated that they are not compatible with the equipment used by our mutual aid partners.

Project Funding Breakdown

General Fund	\$	4,300
FEMA Grant (awarded)	\$	81,700
Total	\$	86,000

The following projects are expected to be undertaken in FY 2016-17:

1. 12th Street, 14th Street, 15th Street, 16th Street, Parish Street, and Hamblin Ave Reconstruction **COMPLETED AS AMENDED**

Project Description:

The project will encompass reconstructing the streets, installing curbs and gutters, installing storm sewers, and upgrading water and sewer infrastructure as needed. The streets being addressed are all located north of Lafayette Avenue and east of 20th Street.

Project Funding Breakdown:

Water Fund	\$	125,000
Sewer Fund	\$	125,000
Income Tax Fund	\$	640,000
Local Street Fund	\$	100,000
Grants (not awarded)	\$	100,000
Total	\$	1,090,000

2. Upton Avenue Resurfacing **COMPLETED**

Project Description:

The project will encompass resurfacing Upton Avenue from Helmer Road to 20th Street, all of Nettles Street, and 26th, 28th, 29th, and 30th Streets north of Upton Avenue.

Project Funding Breakdown:

Major Street Fund	\$	100,000
Local Street Fund	\$	100,000
Income Tax Fund	\$	100,000
Total	\$	300,000

3. Build New Pocket Park **PUBLIC HEARING HELD**

Project Description

The project will encompass building a new one (1) acre park in the Orchard Hills neighborhood utilizing lots the City currently owns. The park is included in the City's 5-year Recreation Plan.

Project Funding Breakdown:

General Fund	\$	24,000
Grants (not awarded)	\$	46,000
Total	\$	70,000

4. Farmers Market Improvements

FLOOR COMPLETED

Project Description

This project will encompass constructing a new walk up window for the Farmers Market kitchen as well as a resurfacing of the floor in the common area.

Project Funding Breakdown

General Fund	\$	10,000
Total	\$	10,000

5. Water Main Replacement

Project Description

This project includes replacement of 4" water mains with 6" water mains and hydrants, valves or Services (if necessary) in streets that are being rebuilt in this FY.

Project Funding Breakdown

Water Fund	\$	25,000
Total	\$	25,000

The following projects are expected to be undertaken in FY 2017-18:

1. Public Safety Vehicle Purchase (2)

Project Description:

The project will encompass the purchase of two public safety patrol vehicles.

Project Funding Breakdown:

Vehicle Fund	\$	60,000
Total	\$	60,000

2. Public Safety Ladder Truck Replacement

Project Description:

This project will encompass the purchase of a new ladder truck. The current truck is a 1992 model and is at the end of its 25 year service life. Refurbishment is an option at a lower cost. However, the current ladder extends only to 75 feet. 100 feet is necessary in order to adequately protect the City's apartment complexes.

Project Funding Breakdown:

Vehicle Fund	\$	85,000
Grants (not awarded)	\$	765,000
Total	\$	850,000

3. Computer Server Replacement

Project Description

This project will encompass the purchase of a new computer server for City Hall

Project Funding Breakdown

General Fund	\$	20,000
Total	\$	20,000

4. Water Main Replacement

Project Description

This project includes replacement of 4" water mains with 6" water mains and hydrants, valves or Services (if necessary) in streets that are being rebuilt in this FY.

Project Funding Breakdown

Water Fund	\$	25,000
Total	\$	25,000

5. Capital Maintenance

Project Description:

This project will encompass capital maintenance to the City's street and utilities systems.

Project Funding Breakdown:

Major Street Fund	\$	50,000
Local Street Fund	\$	50,000
Water Fund	\$	50,000
Total	\$	150,000

The following projects are expected to be undertaken in FY 2018-19:

1. Water Main Replacement

Project Description

This project includes replacement of 4" water mains with 6" water mains and hydrants, valves or Services (if necessary).

Project Funding Breakdown

Water Fund	\$	25,000
Total	\$	25,000

2. Computer Hardware and Software Upgrade – City Hall

Project Description:

This project will include the purchase of 13 new desktop computers with software per departmental need. The anticipated cost is approximately \$1,700 per work station, including hardware, software, and installation labor.

Project Funding Breakdown:

General Fund	\$	25,000
Total	\$	25,000

The following projects are expected to be undertaken in FY 2019-20:

1. Water Main Replacement

Project Description

This project includes replacement of 4" water mains with 6" water mains and hydrants, valves or Services (if necessary).

Project Funding Breakdown

Water Fund	\$	25,000
Total	\$	25,000

2. Department of Public Services Dump Truck Purchase

Project Description

This project will encompass the purchase of a new single-axle dump/plow truck.

Project Funding Breakdown

Vehicle Fund	\$	87,500
CMAQ Grant	\$	100,000
Total	\$	187,500

The following projects are expected to be undertaken in FY 2020-21

1. Water Main Replacement

Project Description

This project includes replacement of 4" water mains with 6" water mains and hydrants, valves or Services (if necessary) in streets that are being rebuilt in this FY.

Project Funding Breakdown

Water Fund	\$	25,000
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Total \$ 25,000

2. Replace Upton Park Walking Trail

Project Description

This project will encompass widening and repaving the walking trail in Upton Park

Project Funding Breakdown

General Fund \$ 20,000

Total \$ 20,000

3. 20th Street and Dickman Road Intersection Reconstruction

Project Description:

The project will encompass the redesign of the intersection of 20th Street and Dickman Road.

Project Funding Breakdown:

Income Tax Fund \$ 50,000

TIFA B Fund \$ 50,000

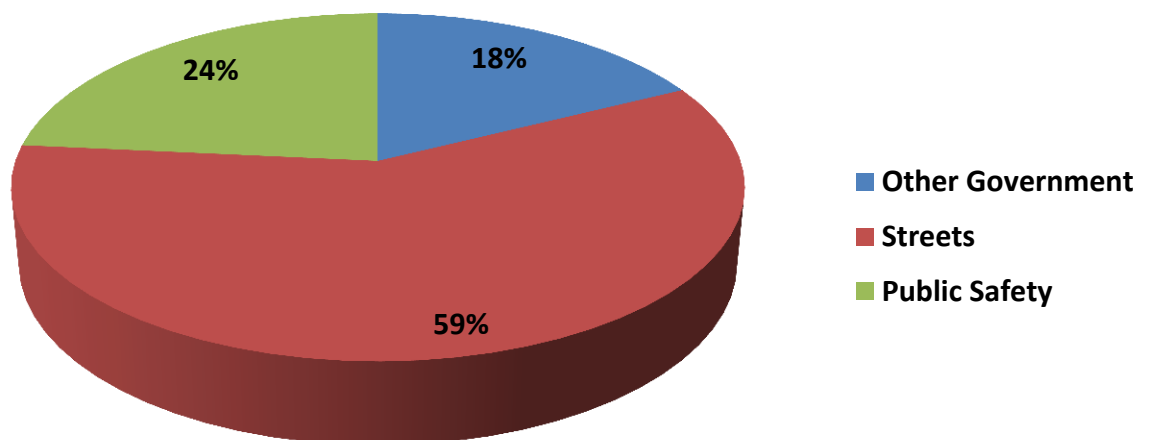
BCATS \$ 325,000

Total \$ 425,000

Total Six-Year Planned Capital Expenditures

Funding Source	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
General Fund	\$ 145,000	\$ 34,000	\$ 20,000	\$ 25,000	\$	\$ 20,000
Income Tax Fund	\$	\$ 740,000	\$	\$	\$	\$ 50,000
Major Street Fund	\$	\$ 100,000	\$ 50,000	\$	\$	\$
Local Street Fund	\$	\$ 200,000	\$ 50,000	\$	\$	\$
Vehicle Fund	\$	\$	\$ 145,000	\$	\$ 87,500	\$
TIFA B Fund	\$	\$	\$	\$	\$	\$ 50,000
TIFA D Fund	\$ 259,000	\$	\$	\$	\$	\$
EDC Fund	\$	\$	\$	\$	\$	\$
Water Fund	\$	\$ 150,000	\$ 75,000	\$ 25,000	\$ 25,000	\$ 25,000
Sewer Fund	\$	\$ 125,000	\$	\$	\$	\$
Bond Proceeds	\$	\$	\$	\$	\$	\$
Grants (awarded)	\$ 135,000	\$	\$	\$	\$	\$
Grants (planned)	\$	\$ 146,000	\$ 765,000	\$	\$ 100,000	\$ 325,000
Total	\$ 539,000	\$ 1,495,000	\$ 1,105,000	\$ 50,000	\$ 212,500	\$ 470,000

City of Springfield Capital Expenses: 2016-2021



GENERAL FINANCIAL PRACTICES

The City of Springfield has developed a number of general financial practices and policies to direct the City Manager and Finance Director while preparing the City's annual budget and managing its general financial affairs. These principles are expected to guide City spending in a manner that creates and maintains financial stability.

The City of Springfield's general financial practices consist of a number of individual policies that address fund balances, investments, debt, capital improvements, and financial reporting. It is the intent of the City Council that, by enforcing each of these policies, the City will be better prepared to fund activities and improvements in current and future budget years, regardless of any changes in state or local economic conditions.

Fund Balances

The City's Fund Balances, or cash reserves, refer to the additional funds that the City saves after all of its expenditures. This money acts as working capital. The City holds the General Fund to a stricter standard than its other major funds. The fund balance requirements for the City are as follows:

General Fund

It is the policy of the City of Springfield to keep undedicated reserves at a level equal to 20% to 25% of general operating expenses (averaged over the current and three most recent fiscal years). In the event undedicated reserves fall below 17%, the City will first cut all necessary pay-as-you-go capital improvements from the CIP; if needed, general operating expenses will then be cut to a sufficient level. In the event that the undedicated reserves grow above 27%, the City will first fully fund any under-funded OPEBs to comply with Government Accounting Standards Board (GASB) requirements. In the event all GASB requirements have been met, if needed, the City shall move up the debt schedule for existing bond payments to lower the City's debt burden.

The budget proposed for FY 16-17 is expected to maintain the City's undedicated reserves at \$840,283 which represents approximately 34.4% of the fund's three-year average operating expenses. Over the next three budget years, the City anticipates shrinking its reserves to approximately 25% of the fund's three-year average operating expenses.

All Other Funds

It is the policy of the City of Springfield to keep undedicated reserves at a level equal to 10% to 30% of general operating expenses for its other major funds (averaged over the current and three most recent fiscal years). In the event that the undedicated reserves fall below 10%, the City will first cut all necessary pay-as-you-go capital improvements from the CIP; if needed, general operating expenses will then be cut to a sufficient level. In the event that that undedicated reserves grow above 27%, the City will review needed infrastructure improvement, existing bond principle, and related rate/fee levels to determine the most appropriate manner to provide adequate services to the citizens of Springfield.

Debt

For the purposes of this Policy, "Debt" shall refer to all known future obligations (i.e. unfunded retirement benefits, bonded capital debt, and installment loans, etc.). Additionally, "Debt" shall refer to such future obligations known to all city *and* component unit funds. It is the general rule of the City to use pay-as-you-go financing for capital improvements, when able. In the event that financing is needed, the City will follow the general debt limitation guidelines as follows:

1. All debt and unfunded liabilities as a percentage of taxable value should not exceed 10%. **currently 6.4%**
2. All debt as a percentage of taxable value should not exceed 4%. **currently 1.9%**
3. All debt and unfunded liabilities per capita should not exceed \$1,200. **currently \$971 per capita**
4. All debt per capita should not exceed \$1,000. **currently \$283 per capita**
5. All debt service expenditures as a percentage of annual expenditures should not exceed 5%. **currently 4.8%**
6. All debt service expenditures as a percentage of annual revenues should not exceed 5%. **currently 4.5%**
7. New Debt Service should not extend beyond 10 years for individual projects/purchases.

2016 Taxable Value	2016 Population	2016-17 Debt Service*	Bonded and Loan Debt Principal Balance at 6-30-2016**	Unfunded Pension and OPEB Liabilities
\$79,587,212	5,260	\$268,733	\$1,489,535	\$3,618,257

**General government debt service equals \$92,500 in FY 2016-17*

***Debt includes \$721,400 general government debt liabilities and \$768,135 component unit debt liabilities.*

Capital Improvements

Projects/Purchases that are typically included in the Capital Improvement Plan (CIP) are those that are expected to cost more than \$10,000, have a life expectancy of more than five years, and be an expense that is not an annual occurrence. Any item that meets these criteria should be included in the CIP prior to the beginning of the fiscal year. It is the intent of the City to maintain its assets at a level that protects the city's investment and minimizes future maintenance and replacement costs. The City will annually budget funds to adequately maintain its assets to this level.

Future Obligations

The City is committed to fully-funding future obligations related to employee retirements and other post-employment benefits (OPEBs). Currently, the City offers its full time employees a City-funded pension and health insurance during retirement.

The City's has an annual evaluation conducted by the Municipal Employees Retirement System of Michigan (MERS); based on their recommendations, the City invests a percentage of its annual payroll in the retirement system. Current practice is to fund all accounts at the recommended level, with the goal to fund all retirement obligations at 100% by 2020; current pension obligations are funded at 75%.

The City has a plan to fund current OPEB obligations on a *pay-as-you-go* basis. In this plan, the City budgets an amount equal to the current year's obligation in the Post Employment Benefit Budget (part of the General Fund). In addition to the *pay-as-you-go* funding for current obligations, future benefits are funded via a trust fund. It is the City's intent to move from a *pay-as-you-go* system to a fully-funded trust for OPEB obligations by 2030; if the City continues at its current pace, by FY 2030-31, the Trust Fund will have a principal balance of approximately \$1.25 Million. Once the City moves to a fully-funded trust, annual contributions to the fund will increase to 5% of the City's total payroll.

Financial Reporting

The City's general accounting practices are expected to conform to all GASB standards. The City's financial statements are reported on an accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred.

The Finance Department reports budget status to the City Council on a quarterly basis; any amendments to the budget are recommended as soon as it is evident that an amendment is required; all amendments are completed prior to the end of the fiscal year. Daily expenses are presented to the City Council for approval at each regular City Council meeting.

Per the City Council-adopted Investment Policy, the Finance Department reports investment information to the City Council on a quarterly and an annual basis to ensure transparency in the City's investment practices.

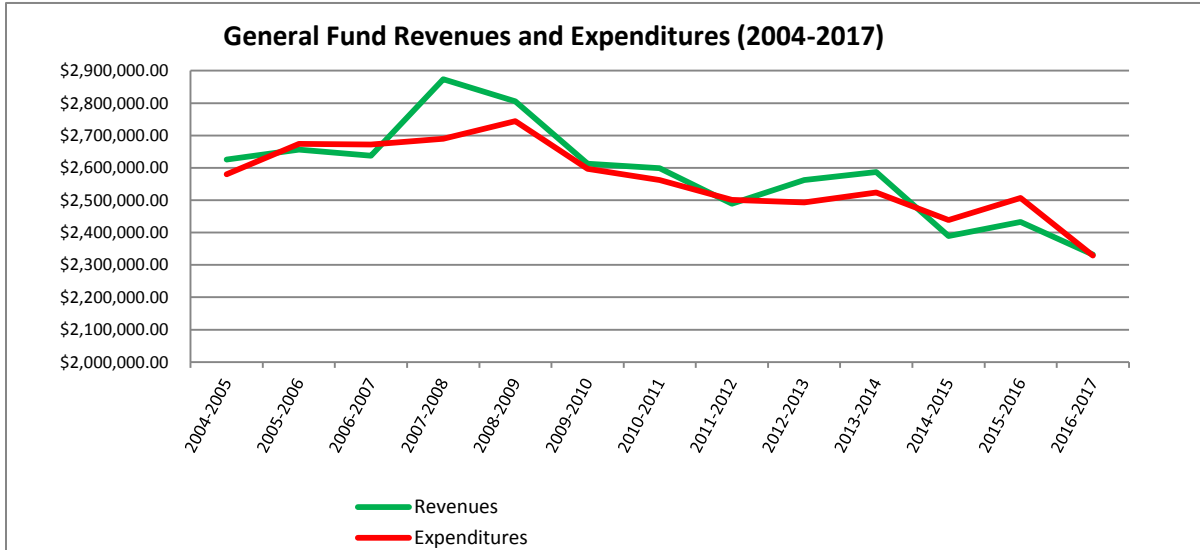
Each year, the City will employ a qualified financial institution to complete an independent audit of the City's finances. This audit will be presented to the City Council by the auditors to ensure the proper disclosure of all financial findings.

In an effort to promote fiscal transparency, in May 2010, the City launched its *Open Government* webpage. The webpage provides important financial information to all interested parties, including, information on budgets and audits for the last seven years, debt schedules, cash balances, labor contracts, personnel policies, health plans, pension reports, financial policies, and other important documents related to our revenues, expenses, long-term liabilities, and general fiscal health. The page can be viewed at <http://springfieldmich.com/transparency.html>.

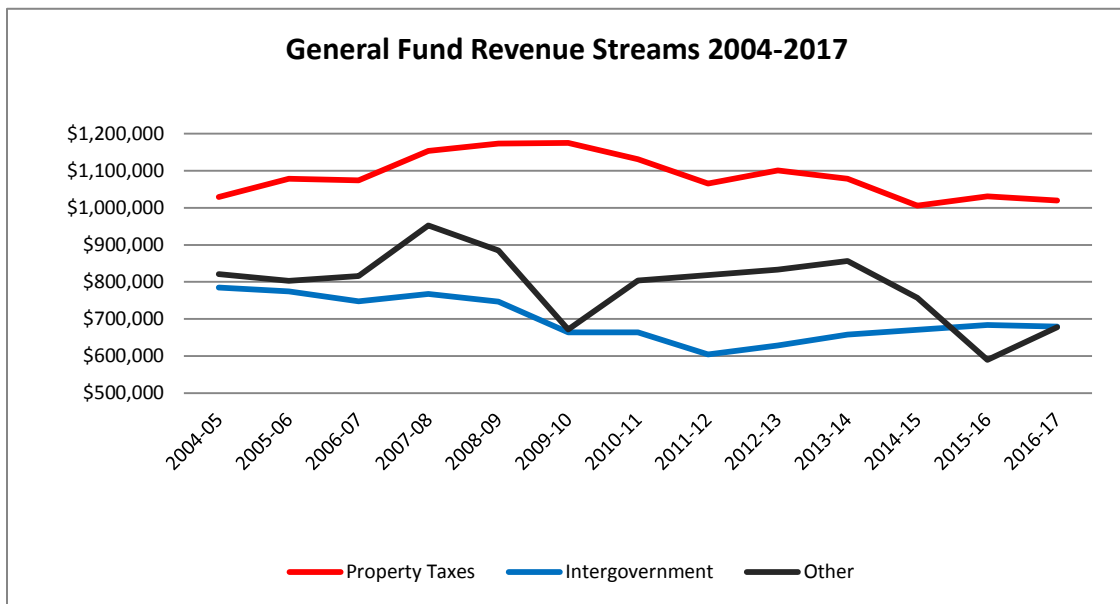
HISTORY OF REVENUES AND EXPENDITURES

The City tracks its financial data each year, and compares revenues and expenditures from year to year to ensure our taxpayers that funds are being collected and expended responsibly and accurately. Tracking revenues and expenses over an extended period helps demonstrate to City Officials and members of the public exactly how revenues are growing or shrinking, and which areas of government are growing or shrinking.

The graph below tracks the overall General Fund Revenues since 2004. It does not separate any transfers from other inter-governmental funds that have taken place.



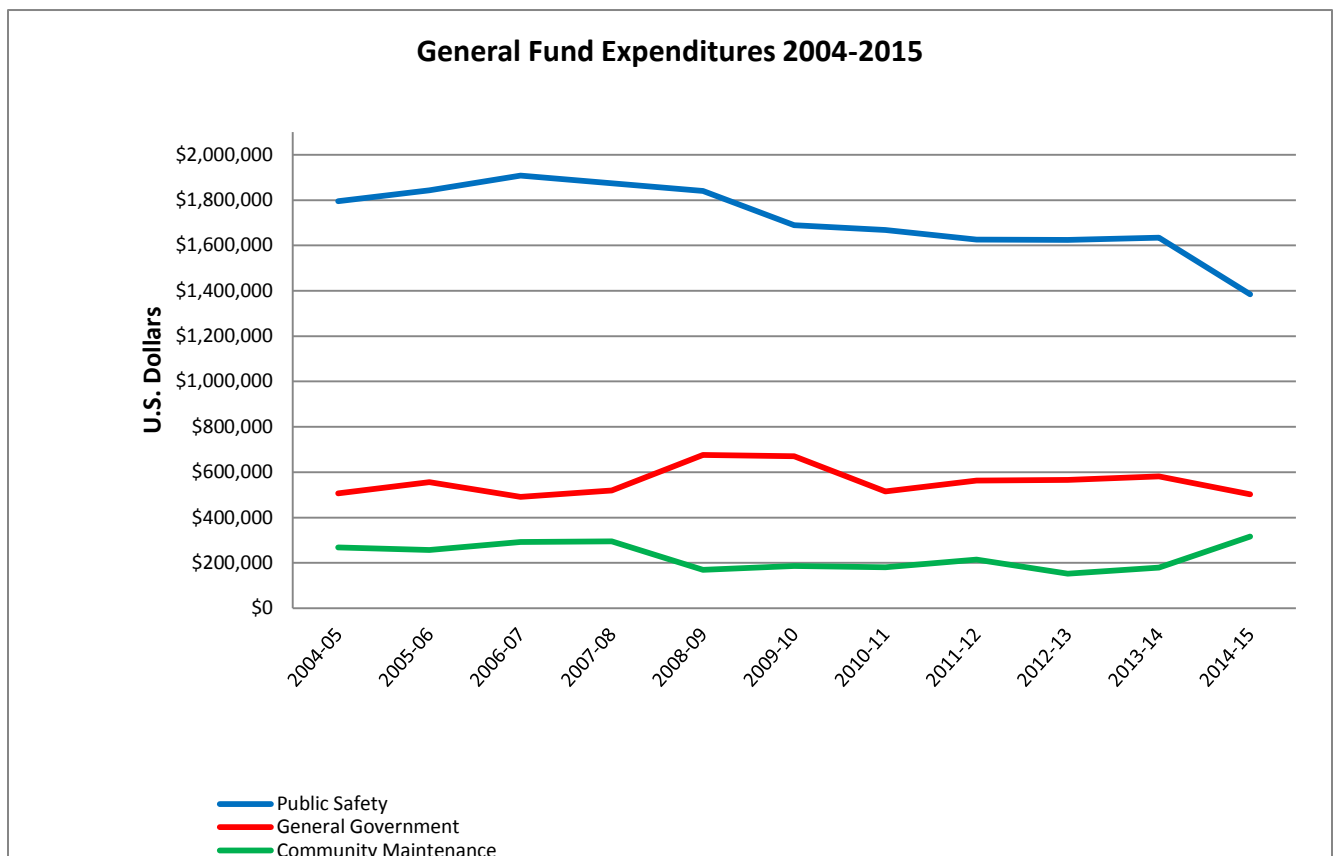
As the above graph shows, from 2004 to 2007 General Fund expenditures typically exceed revenues on an annual basis, although revenues seemed to rise at a relatively healthy rate. From 2008 to 2012, with the national and state recessions, revenues dropped dramatically. Accordingly, a number of changes were made to the City’s organizational structure. These changes allowed projected General Fund expenses to drop to a level on par with early 2000 levels. This has been helpful, as General Fund revenues continued to fall. Going forward from 2013 to 2017 (projected), growth in public safety expenses threatened to greatly outpace revenue growth in the General Fund. So, the decision was made to begin contracted law enforcement services with the Calhoun County Sheriff’s Department; cutting general fund expenses by \$400,000. The following graph more-clearly outlines how the City’s revenue streams have performed since 2004:



Property taxes have been the City’s most reliable and stable General Fund revenue source since 1990; growing steadily through the 2009-10 Fiscal Year (approximately 3.00% annually). From 2010 to 2011, values dropped before rebounding in 2012 and falling again in 2013 and 2014. At the same time, Intergovernmental Revenues (mostly in the form of State Revenue Sharing) reached its peak in the late 1990s, and has declined steadily since. The City collects approximately \$400,000 less annually in Intergovernmental Revenues today than it did in 2000; over a 13-year period, that constitutes more than \$3.5 Million in lost income. Other Revenues have also been generally steady since 1999. Property tax growth is largely dependent on the real estate market, and due to current state tax policies such as Proposal A (1994) and the Headlee Amendment (1978), it is becoming evident that future property tax revenues will not realize long-term stable growth to match any growth in the economy.

From 2006 to 2017, General Fund expenditures on Public Safety have been greatly reduced. Public Safety expenses have risen across the State of Michigan over the past 20+ years; rising wages, benefit costs, vehicle maintenance, and gasoline prices have all had a great effect on the cost of the services related to Public Safety. In an effort to sustain the rising public safety costs, the City reorganized its public safety services effective May 2009 and then contracted with the Calhoun County Sheriff’s Office to provide law enforcement services to the City of Springfield in October of 2013. This contract allows the City to provide comparable level of service as in years past, but at a significantly reduced cost.

Aside from some fluctuations for capital improvements, expenses on general government and community maintenance have remained relatively flat from 2004 to 2015. All of this information is demonstrated in the following graph:



FY 2016-2017 BUDGET SUMMARY

All Funds Summary

FY 2016-17 total budgeted revenues are anticipated to equal approximately \$6,818,400. Total expenditures (including non-cash depreciation) are expected to reach \$6,992,600. This represents a city-wide increase of fund balance in the amount of \$4,600 once non-cash depreciation is removed. The City-wide cash balances are anticipated to equal \$4,993,061 on June 30, 2017. There will not be a contribution to the Retiree Healthcare Trust for FY 2016-17 as all future employees are now ineligible for the benefit.

This information is illustrated in the following table:

Fund	2016-17 Revenues	2016-17 Expenditures	Net Appropriations	Projected Cash Balance
General Fund	2,377,300	2,377,300	0	840,283
Major Streets	488,500	522,300	(33,800)	397,536
Local Streets	526,500	487,200	39,300	349,102
Income Tax	937,800	1,036,800	(99,000)	1,232,513
TIFA B	160,200	147,900	12,300	480,547
TIFA D	123,000	106,300	16,700	209,690
Economic Development	48,700	40,000	8,700	70,850
Brownfield Fund	23,400	23,400	0	111
Drug Fund	0	0	0	15,701
Farmers Market Fund	113,600	113,600	0	12,690
Building Fund	45,100	40,100	5,000	56,752
Sewer Fund	933,800	946,100	(12,300)	587,856
Water Fund	599,000	670,000	(71,000)	580,938
Refuse Fund	237,200	234,300	2,900	116,690
Vehicle Fund	204,300	247,300	(43,000)	41,802
Total	\$6,818,400	\$6,992,600	(174,200)	4,993,061
Retiree Health Care Trust	N/A	N/A	N/A	382,720
Grand Total	6,818,400	\$6,992,600	(174,200)	5,375,781

General Fund Summary

The General Fund's main source of revenue is generated through property taxes on real and personal property. For FY 2016-17, the City of Springfield boasts a taxable value equal to \$78,714,271 plus an additional \$872,941 in taxable value as a result of one existing PA 425 Agreements with the City of Battle Creek; the aggregate taxable value of \$79,587,212 represents a decrease of 1.3% from FY 2015-16. After Tax Increment Finance Authority (TIFA) and Brownfield Redevelopment Authority (BRA) tax captures are accounted for, the City expects to collect approximately \$1,020,000 from the 14.0 Mill General Operating Millage, the 1.0 Mill Public Safety Retirement Millage, and the PA 425 Agreements; the TIFA and Brownfield Funds will capture a total of \$293,800 from all taxing units in FY 2016-17. The TIFA and BRA revenues will be addressed at a later point in this document, as they are accounted for in another fund. Administrative fees levied by the City of Springfield for collecting and disbursing tax revenues to other governmental entities will equal \$21,700 in FY 2016-17.

Cash transfers from the Income Tax Fund, which finance Public Safety Officer Expenses, represent the General Fund's second largest revenue source. The \$399,800, which is anticipated to be transferred to the General Fund for these purposes in FY 2016-17 reflects an increase of \$97,400 from FY 2015-16. The income tax fund will also be transferring \$375,000 to the Major and Local Streets funds for street repaving projects. The fund is expected to draw down its cash reserves by \$99,000 as a result of these transfers; leaving a healthy cash balance at the end of the year.

State of Michigan Revenue Sharing is Springfield's third largest General Fund revenue source. Accounting for approximately \$417,200 in FY 2016-17, this line item is anticipated to grow 0-1% from FY 2016-17. This revenue line item has fallen from more than \$1 Million annually since 2001, to its current level, costing the City of Springfield more than \$5 Million in lost revenue during that time period. In coming budget years, the City may be required to rely even less on this revenue source to fund general operating activities. Slumping sales tax revenue in Michigan could result in no increase or a potential decrease if the consumer economy continues to stagnate.

State of Michigan CVTRS payments represent the General Fund's fourth largest revenue source. \$262,600 is anticipated to be received by the General Fund from the State of Michigan and reflects no increase from FY 2015-16. FY 2016-17 marks the second year of this program, however, because the program is funded annually by the State of Michigan, it cannot not be considered guaranteed funding for future years.

Other noteworthy revenue sources anticipated in the City's General Fund for FY 2016-17 include cable television franchise fees (\$63,500), court fines (\$33,600), employee/retiree medical insurance cost share (\$70,800), and leases (\$9,800). Total General Fund Revenue will equal \$2,377,300. This reflects a decrease of approximately \$63,600 (2.6%) from the previous fiscal year's amended budget. This decrease is due to the first phase of Personal Property Tax elimination as well as a decrease in the transfer from the Income Tax Fund.

Total General Fund Expenditures for FY 2016-17 are anticipated to equal \$2,377,300. Public Safety accounts for more than \$1.2 million (52%). FY 2016-17 will be the third full year the City of Springfield operates under the new law enforcement contract with the Calhoun County Sheriff that took effect October 2013. The contract decreased Public Safety spending by 10% per year without changing patrols or response times.

Because of the slow-recovering economic conditions in much of Michigan, expenditures are generally increasing at a greater rate than revenues across the State. If left unchecked, expenditures have the possibility of growing at more than double the rate of inflation.

Other Funds Summary

The Major Street Fund is expected to received \$488,500 in FY 2016-17; a 29% increase from the previous year. The increase is mostly related to the fact that the State of Michigan increased the gas tax and registration fees, which will be increasing the City's Act 51 revenue. Also, the Income Tax transfers are high this year due to the streets projects being completed. \$85,000 will be transferred to the Local Street Fund. The net appropriation will result in a decrease of \$33,800 in the Fund's cash balance.

The Local Street Fund is expected to receive \$526,500 in revenue; this includes an \$85,000 transfer from the Major Street Fund and a \$275,000 transfer from the Income Tax Fund for streets projects. A total of \$250,000 is budgeted for the repaving of the West End Addition streets and local streets off of Upton Avenue, and \$25,000 is budgeted in contractual construction to account for needed capital maintenance. Approximately \$50,000 in debt payments will also be made in FY 2016-17. The net appropriation will increase the Fund's cash balance by \$39,300.

The Income Tax Fund will realize an increase in revenue equal to 0.2%, anticipating the total revenue for FY 2016-17 of \$937,800. Operating expenses will increase by 9.5% to \$262,000, and appropriations to other funds will increase by 156% to \$774,800 because of the aid being provided to the street funds. The Income Tax Fund is providing \$399,800 to fund a portion of the law enforcement contract. Overall, the net appropriation will result in a decrease of \$99,000 in the Fund's cash balance.

The TIFA B Fund will realize \$160,200 in revenue; \$159,900 of this is captured tax dollars from the City of Springfield and other area taxing units. The Fund will expend \$88,200 in debt retirement. Overall, the net appropriation will result in an increase of \$12,300 in the Fund's cash balance. Major improvements in TIFA B, like the Express Auto Project, Henkel Chrysler-Jeep's and Battle Creek Honda's renovations and expansions, and the expansion of Sunshine Toyota have positively impacted the Fund's ability to capture tax revenue for the next 30+ years.

The TIFA D Fund will realize \$123,000 in revenue from captured tax dollars from the City of Springfield and other area taxing units. The Fund will expend \$45,400 in debt retirement during FY 2016-17. Improvements in the next 1-3 years to the newly remediated Legion Villa property should add to the tax capture for the next few decades. Overall, the net appropriation will result in an increase of \$16,700 in the Fund's cash balance.

The Economic Development Fund will collect \$48,700 in revenue, and is anticipated to expend \$40,000. Overall, the net appropriation will increase the Fund's cash balance by \$8,700.

The Brownfield Fund began making loan payments to the State of Michigan DEQ for the remediation of contamination at the former Baker Oil site during FY 2009-10. The site was redeveloped to house the Springfield Do-It-Center and a second construction phase that included a new Kalsee Credit Union branch. Because of property value declines, the taxes generated by the new developments are not expected to produce enough revenue to repay the borrowed dollars to the State of Michigan in the near future. The project is currently producing approximately \$11,100 in revenue used to pay the annual \$23,200 loan payment; the City's TIFA B Fund will subsidize \$12,300 of the loan payment until the Brownfield Fund is able to fully support the expense.

The Drug law Enforcement Fund has been suspended for the near future due to all property seizures by law enforcement going to the Sheriff's department. This fund will be reintroduced should the state lift restrictions on Medical Marijuana dispensaries and if the City Council lifts the current moratorium on such business.

The Farmers Market Fund was added to better separate the activities of the Farmers Market from other city expenses. The Farmers Market Fund is designed to collect revenue related to vendor fees and rental income from the kitchen and banquet center. In FY 2016-17, the General Fund will transfer a total of \$56,900 to the Fund, while the Fund itself is expected to generate approximately \$56,700 in revenue. Expenses related

to the Farmers Market and its events are expected to equal \$85,900, while expenses for the operation of the community kitchen and the banquet facility are expected to equal \$14,400 and \$13,300, respectively. The Fund is expected to break even at year-end.

The Building Code Enforcement Fund will collect \$45,100 in revenue; expending \$40,100. The net appropriation will result in a \$5,000 increase to the Fund's cash balance.

The Sewer Fund will collect \$933,800 in revenue during FY 2016-17. Operating expenses will reach \$846,500, no construction costs are planned, and bond payments will equal \$10,100. After adjusting for \$96,000 in non-cash depreciation, the Fund will add \$77,200 to cash reserves.

The Water Fund will collect \$599,000 in revenue during FY 2016-17. Operating expenses will reach \$614,400, \$25,000 in water main replacement has been budgeted this year, and bond payments will equal \$9,400. After adjusting for \$52,300 in non-cash depreciation, the Fund's cash balance will decrease by \$24,700 by the end of the fiscal year.

The Refuse Fund is a pass-through fund. It will collect \$237,200 and expend approximately \$234,300 during FY 2016-17. The Fund's cash balance is expected to grow by \$2,900 this year.

The City's Vehicle Fund owns all City vehicles and related equipment. The Fund charges rental rates to the other City Funds for the ability to utilize its vehicles. This year, the Vehicle Fund will receive revenues totaling \$204,300. Expenses will total \$247,300. No new vehicles will be paid for this year but FY 17-18 calls for the replacement of the Fire Department's ladder truck and 2 police cruisers. The city will make payment of \$34,100 in vehicle-related debt. After adjustment for non-cash depreciation, the fund will break even.

GENERAL FUND NET APPROPRIATIONS

	2014-15 ACTUAL	2015-16 AMENDED	2016-17 ADOPTED
TOTAL REVENUES	2,389,423	2,440,900	2,377,300
City Council	50,877	55,800	56,500
City Manager	121,629	126,900	123,000
Finance and Administrative Services Department	788,404	760,900	823,200
Public Safety Department	1,389,638	1,339,000	N/A
Police Department	N/A	N/A	1,054,900
Fire Department	N/A	N/A	179,700
Public Services Department	706,266	687,500	742,800
Post-Employment Benefits	142,315	212,400	199,500
Admin Allocations to Other Funds/Activities	-593,200	-580,200	-619,900
Labor Allocations to Other Funds/Activities	-255,607	-276,300	-283,500
Appropriations to Other Funds	88,500	128,300	101,100
TOTAL APPROPRIATIONS	2,438,822	2,454,300	2,377,300
NET OF REVENUES/APPROPRIATIONS	-49,399	-13,400	0

*Beginning with fiscal year 2016/17 the Public Safety Department has been split into two separate departments – Police and Fire.

Administrative Allocations to the General Fund

Fund	City Manager	Finance & Admin	Public Services Director	FY 2016/2017 Quarterly	FY 2016/2017 Annual
Major Street	5,600	7,400	12,600	6,400	25,600
Local Street	1,700	3,800	3,600	2,275	9,100
Sewer Fund	14,200	49,700	40,500	26,100	104,400
Water Fund	14,200	49,700	40,500	26,100	104,400
Refuse Fund	2,800	21,500		6,075	24,300
Vehicle Fund	6,900	12,500	4,900	6,075	24,300
Income Tax Fund	16,600	245,400		65,500	262,000
Building Fund		1,300	4,700	1,500	6,000
Farmers Market	1,800	2,300	1,400	1,375	5,500
EDC Fund	4,600	4,100		2,175	8,700
TIFA B Fund	11,700	9,600	1,500	5,700	22,800
TIFA D Fund	11,700	9,600	1,500	5,700	22,800
Total	91,800	416,900	111,200	154,975	619,900

Admin allocations are based on estimated time spent on administrative tasks for each fund.
Act 51 caps administrative expense @ 10% of State Shared Revenue in the Street Funds.

CASH BALANCE HISTORY 2008 -2017

	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	*6/30/2016 <i>Projected</i>	*6/30/2017 <i>Projected</i>
General Fund	667,748	729,515	744,883	782,036	770,346	839,335	903,083	853,683	840,283	840,283
Income Tax Fund	281,357	289,870	319,423	336,801	451,600	608,957	637,059	939,313	1,331,513	1,232,513
Economic Development	104,383	93,075	136,585	132,683	128,405	95,874	109,567	112,550	62,150	70,850
Drug Fund	2,831	6,287	7,734	2,770	28,105	15,766	18,241	16,201	15,701	15,701
Special Revenue	388,571	389,232	463,742	472,254	608,110	720,597	764,867	1,068,064	1,409,364	1,319,064
Major Street	553,635	456,608	376,130	408,063	433,019	416,403	326,902	426,336	431,336	397,536
Local Street	366,024	169,063	173,678	209,112	299,726	361,831	395,483	367,102	309,802	349,102
Street Funds	919,659	625,671	549,808	617,175	732,745	778,234	722,385	793,438	741,138	746,638
Farmers Market	0	0	0	0	0	8,980	9,716	8,690	12,690	12,690
Building Fund	7,374	15,248	22,671	26,781	25,507	37,067	36,265	45,252	51,752	56,752
Sewer Fund	431,422	509,127	504,268	486,671	482,423	477,741	344,097	450,656	510,656	587,856
Water Fund	434,628	407,975	351,567	424,574	529,755	655,437	571,533	590,738	605,638	580,938
Refuse Fund	58,116	55,664	50,357	46,436	54,739	74,728	91,095	105,390	113,790	116,690
Proprietary Funds	931,540	988,014	928,863	984,462	1,092,424	1,253,953	1,052,706	1,200,726	1,294,526	1,354,926
Vehicle Fund	53,537	86,114	74,389	28,641	28,140	41,945	44,457	50,802	41,802	41,802
CITY FUNDS TOTAL	2,961,055	2,818,546	2,761,685	2,884,568	3,231,765	3,634,064	3,487,498	3,966,713	4,327,113	4,302,713
TIFA B	172,553	240,445	210,192	291,635	325,320	373,781	417,275	466,647	468,247	480,547
TIFA D	890,152	576,179	534,034	513,848	438,219	415,652	382,185	370,990	192,990	209,690
Brownfield	6,477	8,301	14,318	296	105	507	375	311	111	111
TIFA/BF Funds	1,069,182	824,925	758,544	805,779	763,644	789,940	799,835	837,948	661,348	690,348
Retiree HC Trust	123,613	126,159	107,825	108,272	138,054	132,313	208,387	302,720	372,720	382,720
GRAND TOTALS	4,153,850	3,769,630	3,628,054	3,798,619	4,133,463	4,556,317	4,495,720	5,107,381	5,361,181	5,375,781

SCHEDULE OF LONG TERM DEBT @ 6-30-2016

	Final Payment	Original Amount	Principle Balance @ 06-30-15	Principle Paid in FY 15-16	Interest Paid in FY 15-16	Fees Paid in FY 15-16	Total Paid in FY 15-16	Principle Balance @ 06-30-16
GOVERNMENTAL FUNDS								
2006 Capital Improvement Bonds - Orchard Hills – Major Street	05-01-2026	117,410	76,685	5,381	3,571	27	8,979	71,304
2006 Capital Improvement Bonds - Orchard Hills – Local Street	05-01-2026	629,835	412,859	28,364	18,745	142	47,251	384,495
Governmental Funds Total		747,245	489,544	33,745	22,316	169	56,230	455,799
PROPRIETARY FUNDS								
2006 Capital Improvement Bonds - Orchard Hills – Sewer	05-01-2026	128,355	78,600	5,847	3,868	29	9,744	72,753
2006 Capital Improvement Bonds - Orchard Hills – Water	05-01-2026	119,400	71,856	5,408	3,571	27	9,006	66,448
2015 DPW Equipment Loan - Vehicle Fund	05-01-2020	158,000	158,000	31,600	2,448	0	34,048	126,400
Proprietary Funds Total		405,755	308,456	42,855	9,887	56	52,798	265,601
TAX INCREMENT FINANCE & BROWNFIELD FUNDS								
1999 TIFA B Bonds - East Airport	05-01-2019	955,000	310,000	70,000	15,975	750	86,725	240,000
2007 TIFA D Bonds - Public Safety Expansion	05-01-2027	550,000	460,000	20,000	20,770	500	41,270	440,000
2005 Brownfield Loan - Baker Oil Site	03-18-2020	245,031	109,099	20,964	2,182	0	23,146	88,135
TIFA/Brownfield Funds Total		1,750,031	879,099	110,964	38,927	1,250	151,141	768,135
GRAND TOTALS		2,903,031	1,677,099	187,564	71,130	1,475	260,169	1,489,535

DEQ revised the original Brownfield loan amount of \$300,000 to \$245,031 based on actual project cost

GENERAL FUND BUDGET PROJECTIONS

	2015-16 AMENDED	2016-17 ADOPTED	2017-18 PROJECTED
Property Taxes	1,031,200	1,019,800	1,030,000
Revenue Sharing	736,500	701,700	708,700
Transfers In	302,400	399,800	459,800
Other Revenue	370,800	256,000	261,100
TOTAL REVENUES	2,440,900	2,377,300	2,467,600
City Council	55,800	56,500	57,600
City Manager	126,900	123,000	125,500
Finance and Administrative Services Department	760,900	823,200	839,700
Public Safety Department	1,339,000	N/A	N/A
Police Department	N/A	1,054,900	1,136,000
Fire Department	N/A	179,700	183,300
Public Services Department	687,500	742,800	757,700
Post-Employment Benefits	212,400	199,500	203,500
Admin Allocations to Other Funds/Activities	-580,200	-619,900	-632,300
Labor Allocations to Other Funds/Activities	-276,300	-283,500	-289,200
Appropriations to Other Funds	128,300	101,100	101,100
TOTAL APPROPRIATIONS	2,454,300	2,377,300	2,482,900
NET OF REVENUES/APPROPRIATIONS	-13,400	0	-15,300

Budget Projection Criteria Used:

REVENUES

1. Property tax growth rate: 1%
2. Revenue sharing growth rate: 1%
3. Other revenue growth rate: 2%
4. Transfers in growth of 2% plus \$60k for expense of police vehicles

EXPENSES

1. General expense growth rate: 2%
2. Appropriations to other funds remain unchanged
3. Police department - \$60k for 2 new vehicles for Calhoun County Sheriff's Department



May 16, 2016

R E S O L U T I O N

No. 48-16

RESOLVED BY THE COUNCIL OF THE CITY OF SPRINGFIELD to set the Public Hearing to receive comments regarding the FY 16/17 budget for June 6, 2016, at 7:30 p.m.

MOVED: Council Member Navarro

SECONDED: Council Member Eib

All ayes. Resolution adopted.



June 6, 2016

R E S O L U T I O N

No. 49-16

RESOLVED BY THE COUNCIL OF THE CITY OF SPRINGFIELD to set the FY 2016/2017

General Operating millage at 14.0000 mills.

BE IT FURTHER RESOLVED that the Public Safety Retirement millage rate for FY 2016/2017

be set at 1.0000 mill.

MOVED: Council Member Riley

SECONDED: Council Member Eib

All ayes. Resolution adopted



June 6, 2016

R E S O L U T I O N

No. 50-16

RESOLVED BY THE COUNCIL OF THE CITY OF SPRINGFIELD to approve the FY 2016/2017 budget as submitted using the function or activity basis format.

MOVED: Council Member Navarro

SECONDED: Council Member Morgan

All ayes. Resolution adopted.