

**City of Center Line, Michigan**  
**Fiscal Year 2021 Budget Public Hearing**  
**Monday, May 04, 2020**  
**Public Hearing Overview**

**Overview:**

In recent prior fiscal years, the focus has been on maintaining and/or enhancing services and on meeting funding requirements for pension and other post-employment benefits for city employees, public safety employees in particular. Those considerations are still present for Fiscal Year 2021 and beyond but there is an imposing “elephant in the room” that takes priority over everything else – preparing to deal with the immediate and long-term effects of a de facto national shutdown.

Predicting the impact on city revenue is without a historical reference for guidance. Property taxes are normally a stable source of city income but questions remain as to how the shutdown will affect the ability of residents and businesses to make timely payments. This will need to be monitored closely as it could have a significant effect on cash flow.

State collections of sales, income and fuel taxes all support revenue sharing that comprises nearly 20% of the General Fund budget and all of the Major and Local Streets budgets. Shortfalls of state collections in those areas will certainly mean less revenue available to local governments. Projections received from the state this past week for Act 51 Major and Local Street distributions are about 9% higher than the FY2021 estimates included in the budget. However, since the actual FY2021 payments from the State do not commence until September, the original estimates should stay as is until we actually start receiving payments.

Locally collected revenues, other than property taxes, will be affected as well. Depending on the duration of the shutdown and the speed of the economic recovery shortfalls in virtually all local revenues can be anticipated.

We are fortunate to have a stable fund balance - one that we have worked hard to improve on each year. As of June 30, 2019, the fund balance of the City’s General Fund was almost \$2.6 million. We are anticipating using nearly \$300,000 of this balance to complete the 2020 Fiscal Year and nearly \$350,000 more to carry us through Fiscal 2021. Because of fiscal austerity in prior years we can maintain city service levels for the immediate future and have time to evaluate and respond as more is known about the long-term effects of the shutdown.

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The budget document reflects an anticipated reduction in state shared and locally collected revenues, other than property taxes, of approximately 10%. Labor increases are limited to those required by contractual obligations.

**Property Taxes**

Property sales and improvements have resulted in an increase in taxable value of property in the City of a little over 3%. The Headlee Rollback limits annual growth in operating tax revenue to the rate of inflation. As a result, the City must reduce the operating millages for the General and Public Safety funds by a combined 0.2345 mills.

In addition to the aforementioned rollback there are also changes in millage rates for PA345 retirement benefits for Public Safety officers and Debt Service. The PA345 millage is increasing 0.4118 mills to accommodate an increase in the actuarial recommended contribution to the Public Safety Retirement system. Final bond principal and interest payments for the 2004 and 2011 General Obligation Refunding Bonds were made in Fiscal Year 2020. The prior year's debt service millage of 2.75 mills will not be levied in Fiscal Year 2021.

MILLAGE RATES				
		FY2021		
		Without	With	%
	FY2020	Headlee Rollback	Headlee Rollback	Change
City Operating Millage	14.6366	14.6366	14.4815	-1.06%
Public Safety Operating Millage	7.4865	7.4865	7.4071	-1.06%
PA345 Police & Fire Pension Millage	12.3000	12.7118	12.7118	3.35%
Debt Service Millage	2.7500	-	-	-100.00%
	<u>37.1731</u>	<u>34.8349</u>	<u>34.6004</u>	<u>(6.92%)</u>

The net reduction in the millage rate for Fiscal Year 2021 is 2.5727 mills – from 37.1731 to 34.6004 (as detailed on Page 2 of the Proposed Budget). This is a reduction in taxes of approximately \$2.57 for each \$1,000 of taxable value. For a property owner having property with a \$50,000 taxable value that is a savings of \$128.64.

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**Water & Sewer Rates**

There is no increase in water and sewer rates in the 2021 Budget. Fiscal Year 2021 rates are the same as current rates.

**Garbage Disposal**

There is no increase in solid waste rates in the 2021 Budget. Fiscal Year 2021 rates are the same as current year rates.

**Debt Service**

As indicated above, final payments were rendered in FY2020 for the 2004 and 2011 Refunding Bonds. The only remaining debt service is for a State Revolving Fund loan issued in 2010 for sanitary sewer improvements. The original issue was for \$4,369,140, of which \$2,901,851 remains to be paid in annual installments through April 1, 2030. Principal and interest payments are funded directly from Water & Sewer System revenues. The debt service schedule is included with the Water & Sewer System proposed budget on Page 45.

There is a link to the entire proposed budget on the City's homepage – [www.centerline.gov](http://www.centerline.gov) – and this budget overview will be posted there as well tomorrow.