



City of Hillsdale

APRIL 24TH WORK SESSION

FISCAL YEAR 2026 BUDGET REVIEW

Overview

- ▶ Tonight
 - ▶ Introduction to the Budget Process
 - ▶ Overview of the General Fund for Fiscal Year (FY) 2026- July 1, 2025- June 30, 2026
 - ▶ City Manager and Administrative General Fund Departments, Police and Fire Budgets, Airport, Planning, Economic Development, Recreation
- ▶ Upcoming Key Dates
 - ▶ 5/1/2025 Work Session
 - ▶ Department of Public Services and Engineering Budgets
 - ▶ Board of Public Utilities Budget
 - ▶ Library
 - ▶ 5/19/2025-Public Hearing on Budget
 - ▶ 6/2/2025- City Council consideration of the budget

Introduction to the Budget Process

- ▶ Legal Requirements of a Budget
- ▶ Financial Environment
 - ▶ Key Budget Assumptions
 - ▶ General Fund Revenues
 - ▶ General Fund Expenditures

Legal requirements for a municipal budget (State law)

- ▶ **Public Act 2 of 1968, as amended, Uniform Budgeting and Accounting Act defines the following:**
 - ▶ Budget appropriation **MUST** be in place before a governmental unit may commit to spending money. (Section 14 (3))
 - ▶ Must include prior year actual, current year estimates, and the proposed budget amount (Section 15 (1))
 - ▶ **Balanced Budget:** A budget in which revenues equal or exceed expenditures. Revenues can include a use of fund balance. (Section 15 (2))

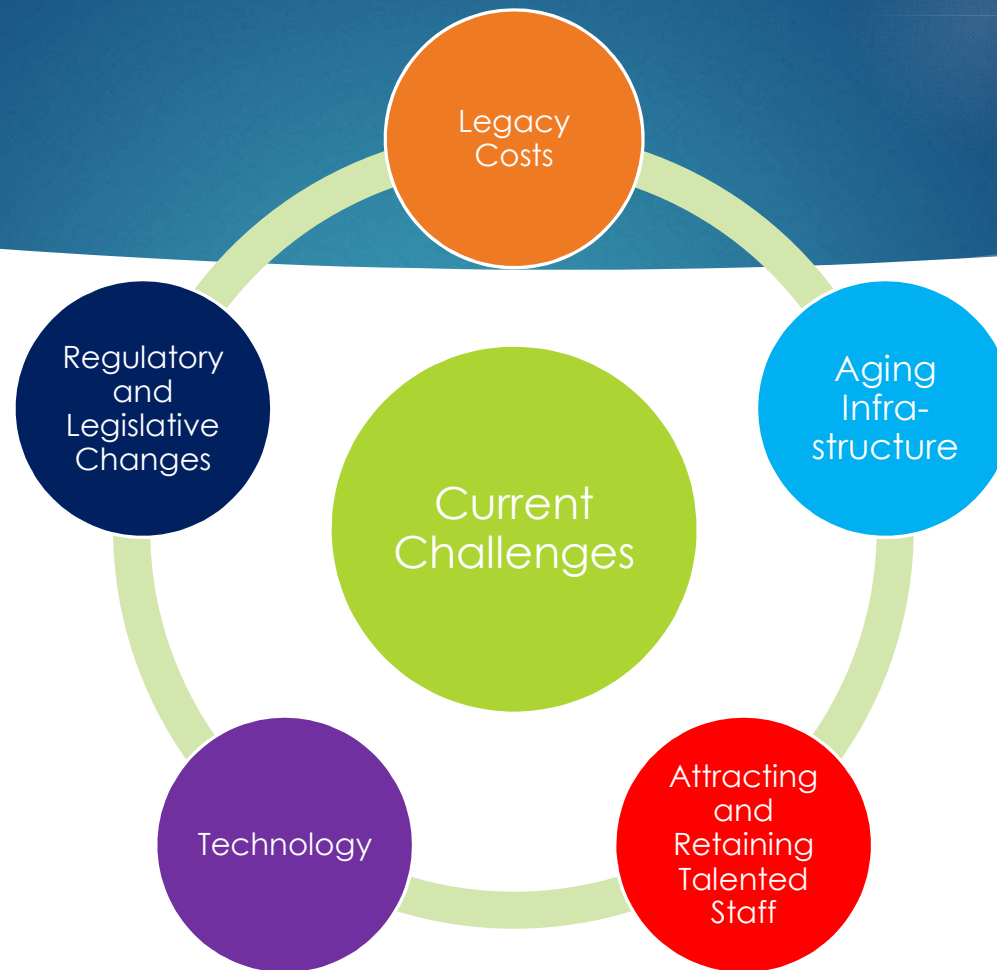
Legal requirements for a municipal budget (State law)

- ▶ **Public Act 2 of 1968, as amended, Uniform Budgeting and Accounting Act, defines the following:**
 - ▶ Must include ALL special revenue funds & the General Fund (Section 16 (1)). This is called the General Appropriations Act. You may adopt budgets for other fund types and this is called a special appropriation act.
 - ▶ The General Appropriations Act must include the numbers of mills of ad valorem taxes to be levied and the purpose for the levy. This is also known as the “Truth in Budgeting Act”. (Section 16 (2))
 - ▶ The governing body may adopt the budget by line item, by department, or by fund.

Legal requirements for a municipal budget (City Charter)

City of Hillsdale Charter Sections 8.2 to 8.4 is summarized as follows:

- ▶ Section 8.2 Each board, commission officer, and department head shall submit his recommended budget with supporting explanation for the next fiscal year to the City Manager on or before March 15 in each year. The City Manager shall prepare and submit to the Council, on or before the first regular meeting in April of each year, a budget document covering the next fiscal year which shall present a complete financial plan for the ensuring fiscal year.
- ▶ Section 8.3 A public hearing on the budget shall be held before its final adoption, at such time and place as the council shall direct and notice of such public hearing and of the fact that the proposed budget is on file in the office of the City clerk shall be published at least on week in advance by the Clerk. A summary of the proposed budget shall be published. A complete copy of the proposed budget shall also be on file and available to the public for inspection during office hours at the office of the Clerk for a period of not less than on week prior to such public hearing.
- ▶ Section 8.4 Not later than the first Monday in the month of June, the Council shall, by resolution, make an appropriation for the money needed for municipal purposes during the ensuring fiscal year, and provide for a levy of the amount necessary to be raised by taxes upon real and personal property for municipal purposes.



Financial Environment

► Property Tax Revenue

► Headlee and Proposal A Constraints

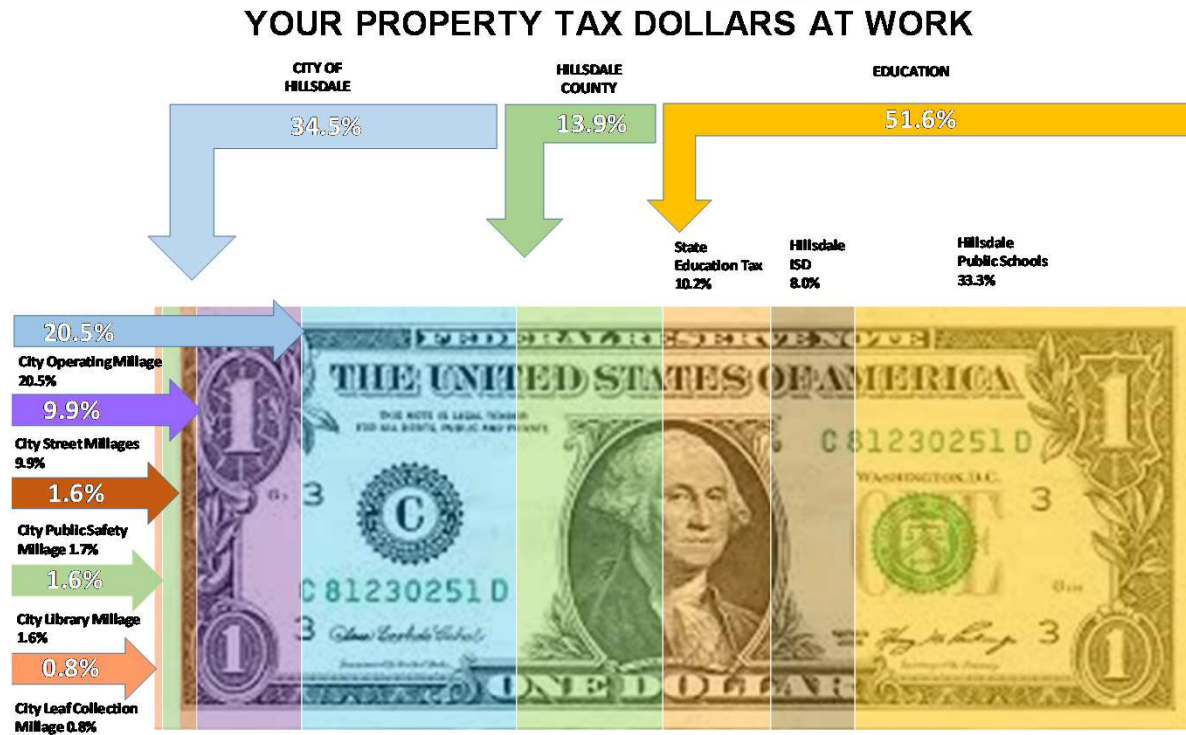
► Proposal A of 1994

- Created new methodology to determine property values for tax purposes.
- Prior to Proposal A, property taxes were levied on State Equalized Value (SEV). Now taxes are levied on Taxable Value.
- Under Proposal A, each property has an Assessed Value, a Capped Value and a Taxable Value.
- Assessed Value is one-half of the assessor's estimate of true market value.
- Capped Value is equal to the prior year's Taxable Value adjusted for inflation. The inflation rate multiplier is limited to the lesser of inflation or 5 percent, and can sometimes be a reduction.
- Taxable Value is equal to the lesser of Assessed Value or Capped Value.
- Upon transfer, Taxable Value is "uncapped" and reset to Assessed Value.

► State-shared revenue

- Dependent on the State of Michigan budget appropriations
- Does not keep pace with inflation
- Very sensitive to the economy (sales and use tax)

Your Property Tax Dollars At Work

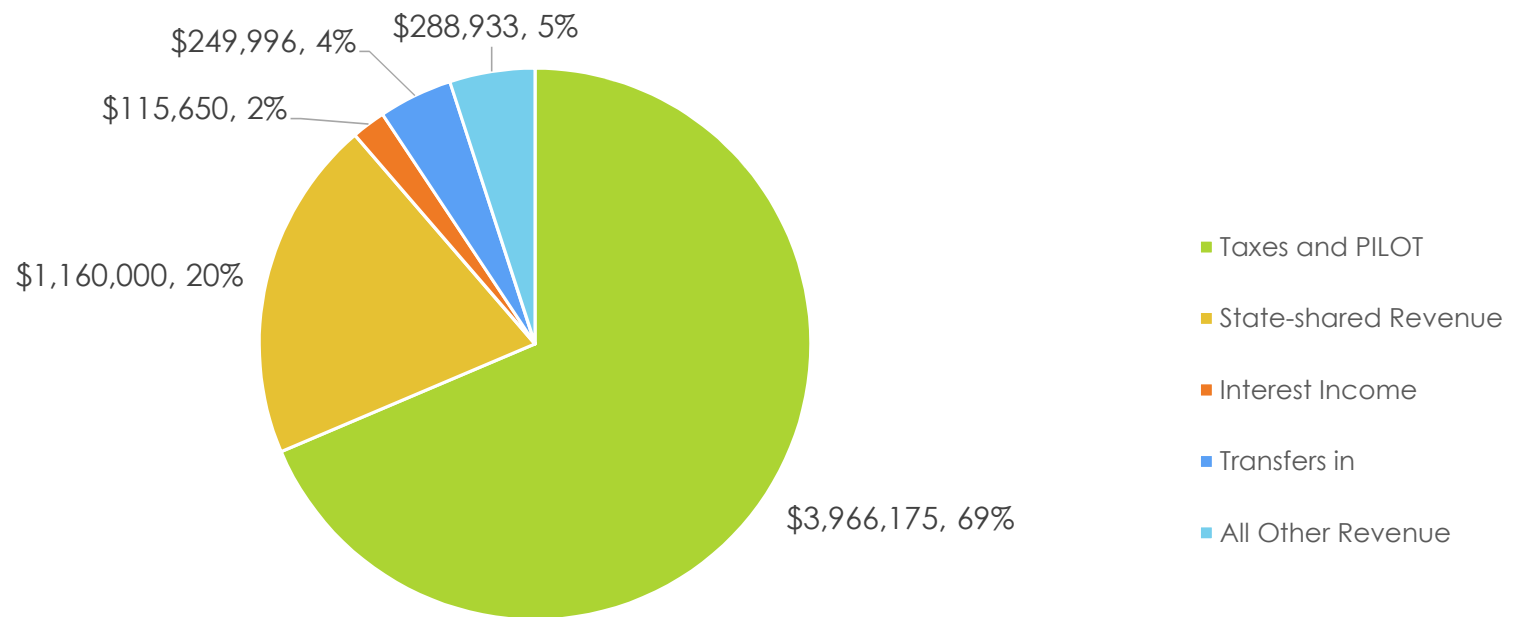


Key Budget Assumptions

Category	Assumption
Tax Revenue	3.1% CPI per State + New Construction
State-shared Revenue	Relatively Flat
Interest Income	Based on investments and rates
Wages	4%-5% across the board per union contracts
Fringes-Health Care	8.7% increase in premium
Fringes-Defined Benefit Pension-closed plans	Slight increases
Fringes-All Other	Relatively Flat
Property and Liability Insurance	10% Increase based on allocation
Utility Rates	1.5% Electric, 0% Sewer, 10% Water

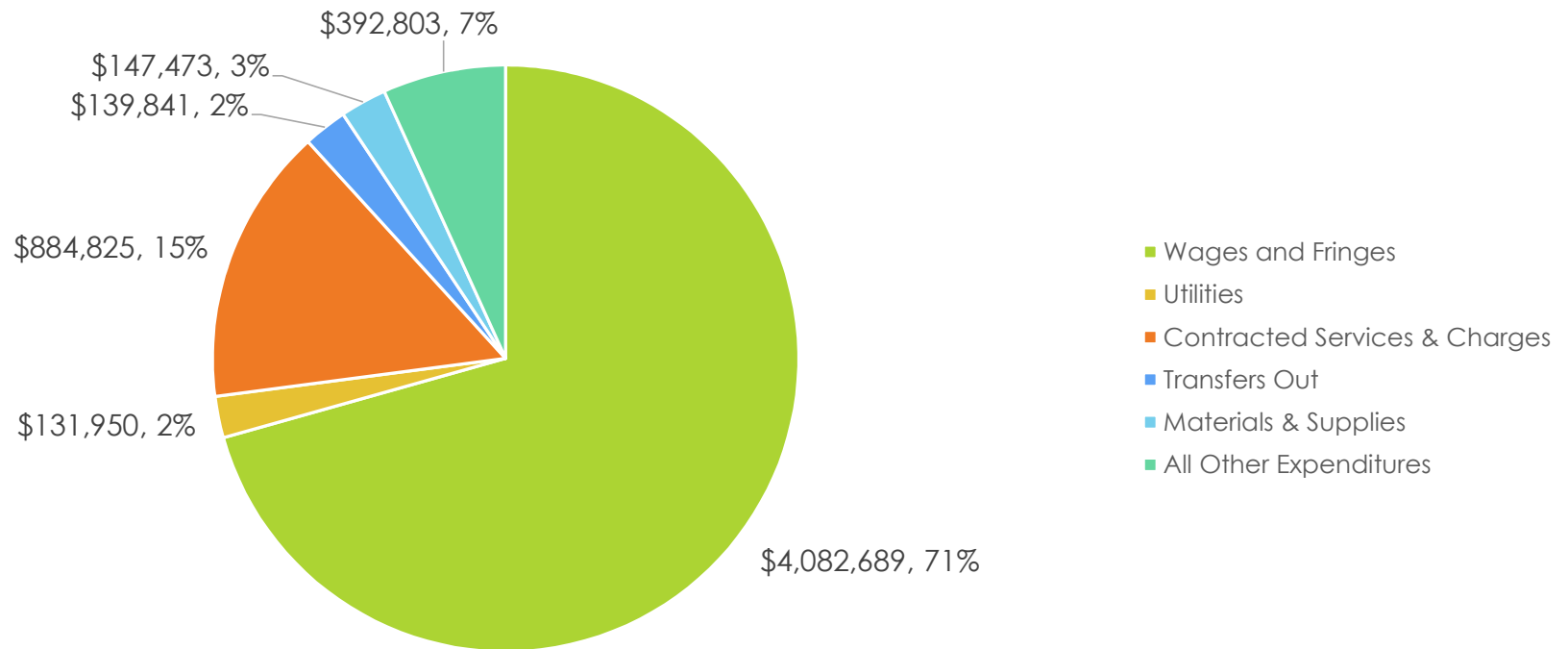
Fiscal Year 2026 Proposed General Fund Revenue-\$5,780,754

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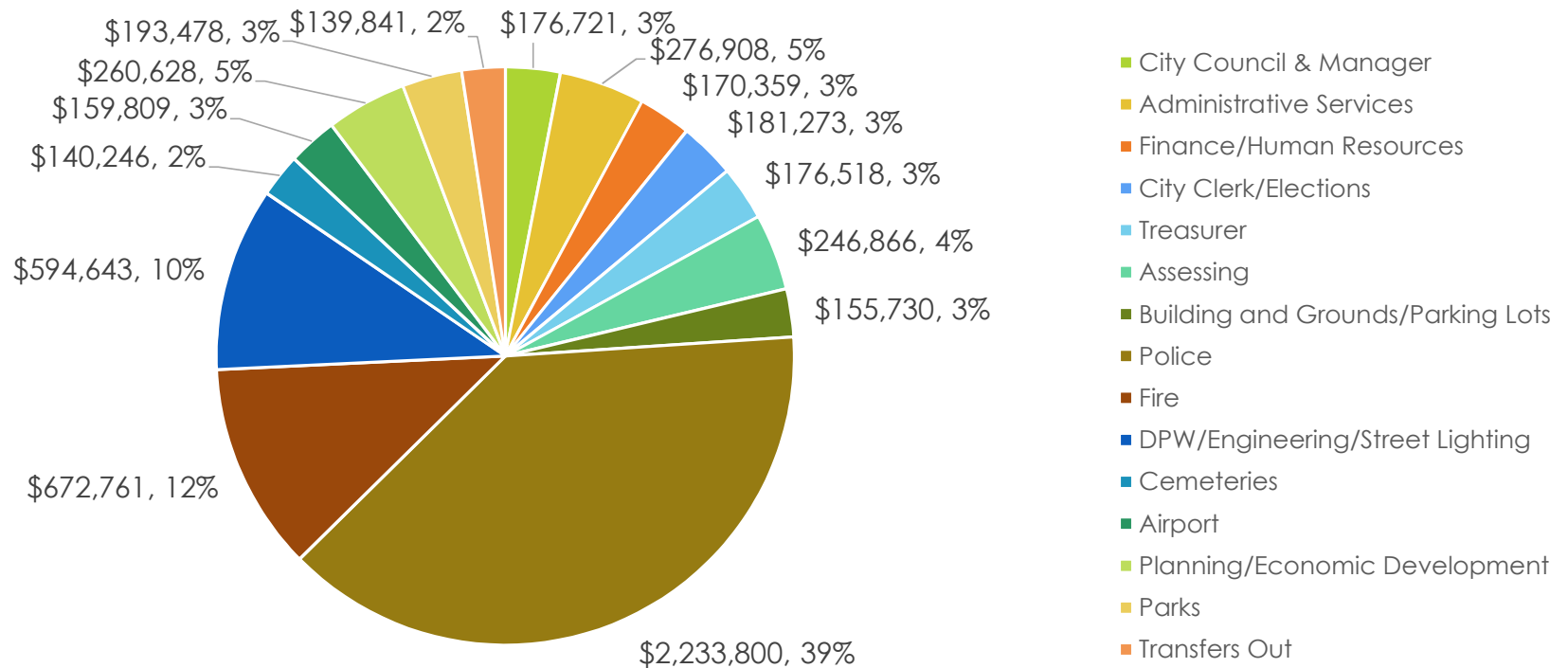


Fiscal Year 2026 Proposed General Fund Expenditures by Type-\$5,779,581

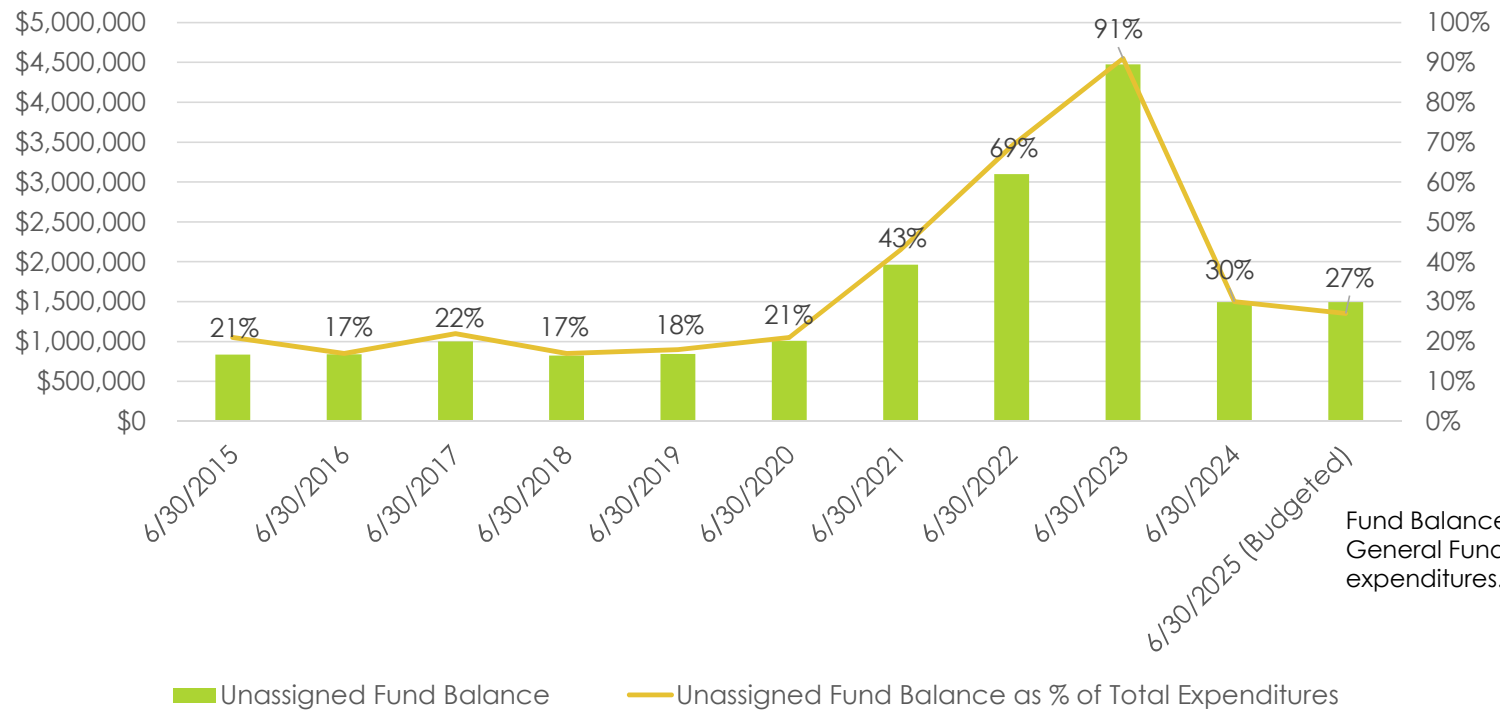
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Fiscal Year 2026 Proposed General Fund Expenditures by Department-\$5,779,581

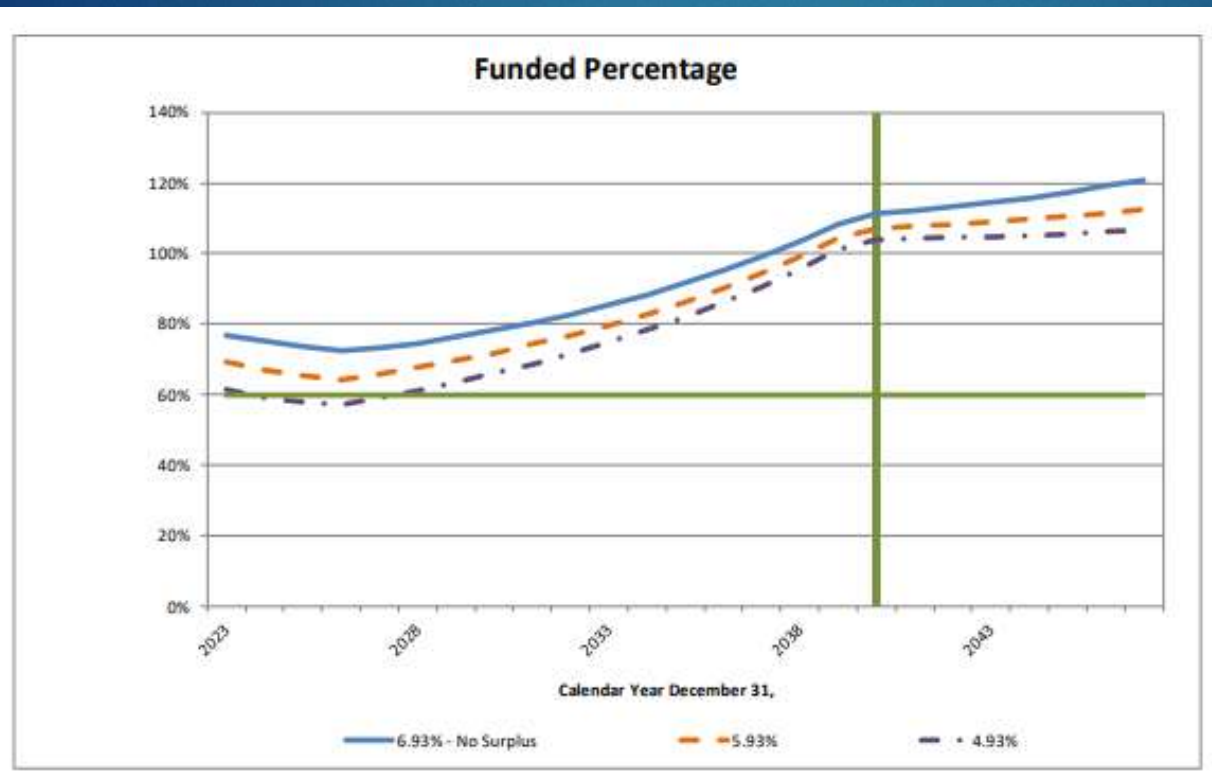


Fund Balance Summary for the General Fund

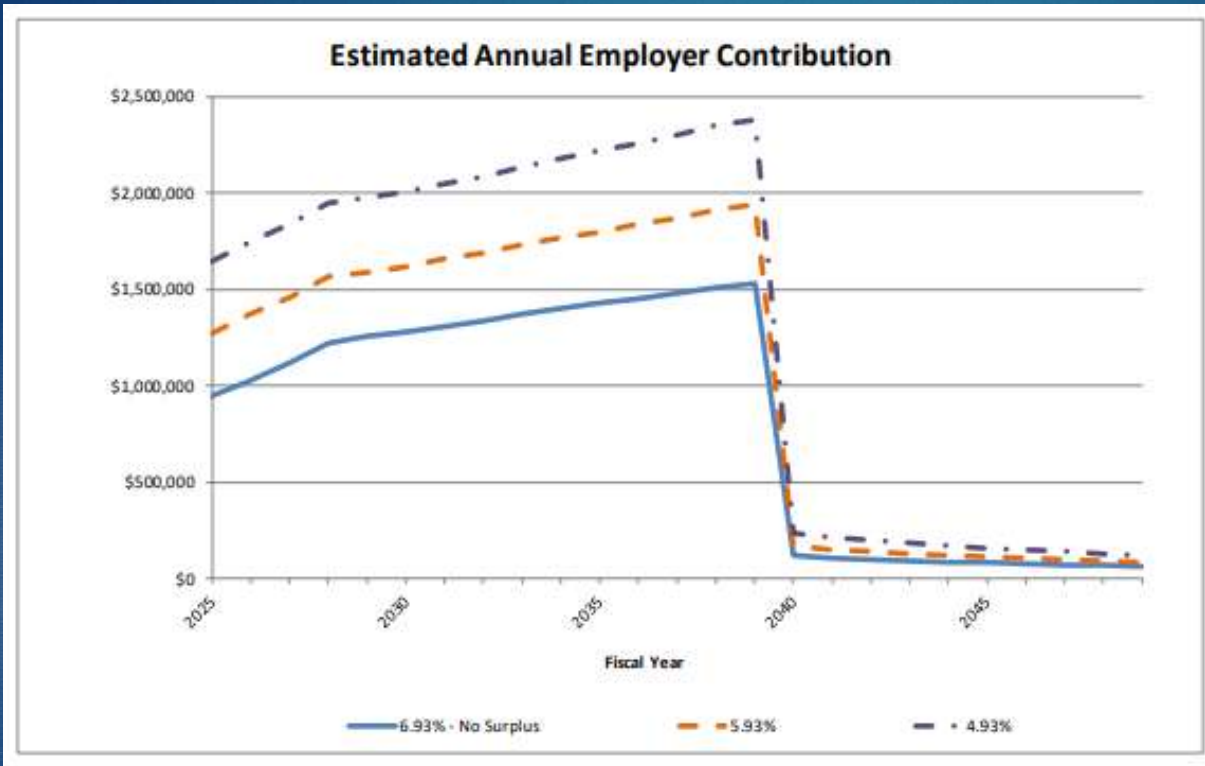


Long-term obligations-Defined Benefit Pension

	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Pension Liability	\$29,647,417	\$28,796,164	\$28,262,768	\$26,350,774	\$25,247,768
Pension Investments	\$21,339,428	\$20,011,020	\$23,287,680	\$21,222,495	\$19,734,763
Net liability	\$8,307,989	\$8,785,144	\$4,975,088	\$5,128,279	\$5,513,005
% Funded	71.98%	69.49%	82.40%	80.54%	78.16%
Annual Contributions	\$839,863	\$781,967	\$688,204	\$569,786	\$525,911
Annual Contributions-General Fund	\$486,539	\$500,388	\$426,995	\$360,893	\$295,210



Pension
Future
Funding
Percentage



Pension
Future
Contributions

Departmental Budgets

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General Government Departments

- City Council (101-101)
- City Manager (101-172)
- Administrative Services (101-175)
- Finance (101-191)
- City Clerk/Elections (101-215/262)
- Treasury (101-253)
- Assessing/Planning (101-257/701)
- Human Resources (101-270)

Public Safety Departments

- Police (101-301)
- Fire (101-336)

Airport (101-595; Fund 481)

Economic Development (101-728; Fund 244)

Recreation (Fund 208)

TIFA Fund (Fund 247)

Questions?