



City of Lathrup Village
27400 Southfield Road
Lathrup Village, MI 48076
www.lathrupvillage.org | (248) 557-2600

TO: Mayor & City Council
FROM: Mike Greene – City Administrator
RE: DRAFT - Budget Message – Fiscal Year 2025-2026
DATE: April 21, 2025

I am pleased to present my recommended City of Lathrup Village Fiscal Year 2024-2025 budget of **\$14,339,907**, with the General Fund constituting **\$5,445,407**. The General Fund is balanced and in compliance with the Michigan Uniform Budgeting and Accounting Act, Generally Accepted Accounting Principles (GAAP), and aligned with the priorities of City staff, City committees, and the City Council.

It should be noted that the State of Michigan has adopted a new version of the Uniform Chart of Accounts. The Uniform Chart of Accounts is designed to serve basic legislative, budgetary, and accounting objectives. In addition, it provides a means for local units to meet additional legal requirements of the unit for budgeting and uniform accounting and reporting, regardless of the size of the unit. While the draft budget reflects the old chart of accounts, the approved budget will be updated with the updated uniform chart of accounts in BS&A.

FISCAL YEAR 2025-2026 BUDGET

The next fiscal year's budget presented a few challenges requiring difficult decisions and creative problem-solving. Our primary goals were to present a balanced budget that includes the City Council enacting Public Act 33 (PA 33) (Police & Fire Special Assessment), adding to the General Fund – Fund Balance, preserving high-quality service delivery to citizens, and accomplishing as many goals as funding would allow.

REVENUES

Ad Valorem (Property Tax)

The Recommended Budget includes no general operating millage increase, keeping the City millage rate flat at 17.3001 mills for General Operations, 2.5948 mills for Refuse (garbage/recycling), 3.9307 mills for Roads (bond payment), and 1.8823 mills for those properties located within the Downtown Development Authority district.

However, the recommended budget includes the City Council enacting the Finance Review Committee's recommendation and approving a PA 33 Special Assessment of 3.1051 mills.

The City Council will consider this and potentially approve this millage rate and special assessment during their May 19, 2025, Council Meeting.

The projected City taxable value for Fiscal Year 2025-26 is \$194,800,810. This is a ~2.77 percent increase over the current year's taxable value (\$189,545,430). This increase was driven by home sales and investment in properties. Changes in values, compared to the current year's adopted budget, are described below:

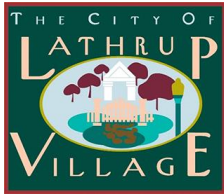
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- Residential Assessed Values **increased** by 3.41 percent, driven by home sales and investment in properties.
- Commercial Assessed Values **decreased** by 5.95 percent, driven by the Michigan First Credit Union Tax Tribunal decision.

The Recommended Budget applies a tax collection rate of 98 percent to real property. Due to the City's tax base, estimated collection rate, and factoring in the increase in exempt properties, total ad valorem revenues are projected to be **\$3,032,700**. This collection does not include our estimated tax-exempt properties. Implementing PA 33, as recommended, would bring in an additional **\$570,000** based on the City's taxable value.

Tax	Annual Statutory Millage Rate	Fiscal Year 2024-2025	Fiscal Year 2024 - 2025
LV – General Operating	20.0000	17.3001	17.3001
Refuse	3.0000	2.5948	2.5948
Road Millage	3.9307	3.9307	3.9307
LV – DDA	2.0000	1.8823	1.8823
Public Act 33		0.0000	3.1051

Other Key Revenue Changes

Key revenue changes outside property and sales tax are detailed below (based on the FY 23-24 approved budget).

General Fund

- **PA 33 – Special Assessment (\$570,000)** – This revenue is new based on the City Council's creation of a Police & Fire Special Assessment District and levying millage to collect funds to offset the cost of public safety.
- **Tax 1% Administrative Fee (increase of \$7,000)** – This revenue is expected to increase next year based on increased taxable values throughout the community.
- **Building Permit (decrease of \$30,000)** – This revenue is expected to decrease as the previous year was increased due to approved commercial construction plans and due to where staff accounts for certain building-related fees.
- **Cable TV Revenues (decrease of \$20,000)** – Due to cord-cutting, this revenue is decreased to better align with previous actuals.
- **Investment Interest (decrease of \$20,000)** – Interest rates are projected to be reduced over the next year.
- **Sidewalk Revenues (decrease of \$20,000)** – Staff issued an extension of the FY 2024-25 payment scheduled due to invoicing delay, which allows individuals to pay into FY 2025-26. After FY 2025-2026, this line item will drop to \$0.

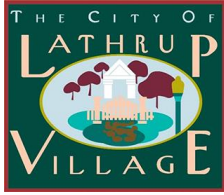
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Local Street Fund

- **Miscellaneous Revenue (increase of \$250,000)** – This revenue is from the MDOT Category B Grant that was awarded to the City for the reconstruction of Rainbow Circle. This revenue will be offset by increased local street expenses.

Water Fund

- **Water Service (increase of \$53,900)** – This revenue is expected to increase based on recommended rate increases (6%) to offset the pass-through cost from GLWA/SOCWA.
- **Federal/State Grants (increase of \$2,459,000)** – This revenue is from Congressional Project Funding (\$959,000) for Southfield Road Water Main Phase B & State (MEDC) project Funding (\$2,000,000) for Southfield Road Water Main Phase A. NOTE: \$500,000 from the MEDC was received in FY 24-25 This revenue will be offset by project expenses.

Sewer Fund

- **Sewage Disposal Revenue (increase of \$126,350)** – This revenue is expected to increase based on recommended rate increases (7%) to cover recommended sewer projects and pass-through rates from the Evergreen Farmington Sewage District.

EXPENDITURES

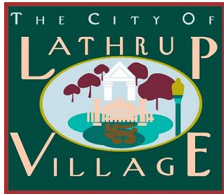
Positions

Below is a summary of the City's budgeted permanent positions and the salary split applied to those positions:

Position	General	DDA	Water	Sewer	Major Roads	Local Roads
City Administrator	68%	10%	6%	6%	5%	5%
Finance Director	70%	10%	10%	10%		
Deputy Treasurer	70%		15%	15%		
DDA Director	10%	90%				
DDA Projects Manager	10%	90%				
Code Enforcement	55%	45%				
Admin. Assistant	100%					
Utility Billing			50%	50%		
City Clerk	100%					
Police Chief	100%					
Lieutenant	100%					
Sergeant	100%					
Police Clerk	100%					
PD FT (8) & PD PT (4)	100%					

These full-time positions account for approximately 43% of the total General Fund budget.

Kelly Garrett Mayor	Bruce Kantor Mayor Pro-Tem	Jalen Jennings Council Member	Dalton Barksdale Council Member	Jason Hammond Council Member
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Employee Pay

A three (3) percent cost-of-living pay adjustment (COLA) increase is included in the recommended budget for all non-union full-time employees of the City.

Capital

Funding capital needs (*purchases of significant value that have a useful life of greater than one year*) is an aspect of the budget that demands careful consideration during the review process. Some capital needs are predictable based on normal life cycles for items like vehicles and computers. Others can be large one-time expenses, such as significant facility repairs or large technological purchases.

It is not uncommon to see fluctuations in capital from year to year, and many capital requests are typically not funded. This year, I have requested that departments present all their capital needs to build a more predictable cycle overall. This, in turn, allows the City to make the best possible decision on an annual basis rather than reactively appropriating funds mid-year.

The Fiscal Year 2025-2030 Capital Improvement Plan (CIP) is included in this document. There are currently thirteen (14) CIP projects that are included in the recommended budget:

- General – Master Plan Update – \$32,350
- General – Parks & Recreation Plan Update – \$9,800
- General – Community Room Roof Replacement – \$25,000
- General – Detective Bureau Car Replacement – \$35,000
- General – Police Ballistic Shields – \$13,000
- General – DPS Building Gutter Replacement – \$10,000
- General – Annie Lathrup Fitness Park Project - \$175,000
- General – Community Room Chairs – \$15,000
- General – 50% - DPS Backhoe - \$50,000; Water – 25% - \$25,000; Sewer – 25% - \$25,000
- Local Street – Rainbow Circle Reconstruction - \$589,990
- Water – Southfield Phase A Water Main - \$2,000,000
- Water – Southfield Phase B Water Main - \$1,151,700
- Sewer – Manhole Installation - \$60,000
- Sewer – Cured in Place Lining - \$120,000

Future Budget Pressures

While the Recommended Budget lays forth a financial plan for the upcoming year, there are a few long-term items we must continue to monitor for their impact on future budgets.

- **Proposal A** – This proposal (1994) places an artificial cap on Taxable Value growth, limiting it to five percent (5%) or the cost of living in each given year.
- **Headlee Amendment** – The Michigan Constitution creates an additional strain on the City’s ability to cover costs and fund activities for our residents. The “Headlee Rollback” references the 1978 amendment to the Michigan Constitution that requires a local unit of government to reduce its

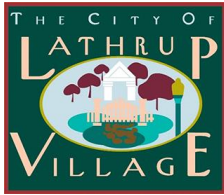
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millage when annual growth on existing property is greater than the rate of inflation. Consequently, the local unit's millage rate gets "rolled back" so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation. The major variables that impact the Headlee rollback calculation include:

- Taxable value uncapping from property transfers ("pop-ups"). The greater the number of pop-ups, the greater the impact on rollback.
- Change in CPI – the lower the CPI, the greater the impact on rollback. The higher the CPI, the less impact on rollback.
- Property tax exemptions for low-income residents, veterans, and nonprofit organizations.
- NOTE: The Finance Review Committee has recommended that the City Council place a Headlee Rollback initiative on the November 2025 ballot.
- **Inflation** – Inflation has averaged over 4% per year over the past five (5) years and has peaked as high as 7%, which has drastically impacted the cost of goods and services. The City needs to consistently monitor purchases and explore different vendors to ensure the City is receiving the greatest benefit for the lowest cost.
- **Facilities** – The City's facilities were built in the 1970s and have seen only minor updates throughout the years. The City should be aware that numerous capital items will need to be addressed over the next few years and should budget accordingly.
- **Infrastructure** – While the City has done an admirable job of addressing infrastructure over the past few years, it is important to continue the momentum and continue investment into water/sewer/streets.
- **Grant Matching** – The City is emphasizing seeking grants over the next few years. Typically, grants will require matching funds, and these funds are not normally budgeted for due to the uncertainty of receiving funding. The City should anticipate recommended budget amendments that may need to utilize fund balance to cover required grant matches.
- **Public Act 33 Police & Fire Special Assessment** – In the event the City Council does not enact the Finance Review Committee's recommendation to utilize PA 33 to the aforementioned rate, the following items (pending City Council discussion) would need to be reduced/eliminated to balance the General Fund budget:
 - Community Room Chairs - \$15,000
 - New Computers (2) - \$3,000
 - Phone System Upgrade – \$20,000
 - Master Plan Update - \$32,350
 - Administrative Staff Training - \$7,000
 - Council Training/Conference - \$5,000
 - Community Room Roof - \$25,000
 - Detective Bureau Car Replacement - \$35,000
 - PD Floor Replacement – \$15,000
 - DPS Building Gutters - \$10,000
 - DPS Backhoe - \$100,000 (\$50,000 General Fund)
 - Recreation Plan Update - \$9,800
 - Annie Lathrup Fitness Park Project - \$175,000
 - Administrative COLA – \$20,000
 - One (1) Patrol Officer or Administrative Personnel – \$80,000 to \$110,000
 - These reductions/eliminations would result in savings of ~\$500,000 - \$530,000

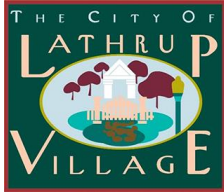
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- OR; the City Council could direct staff to solicit formal quotes for outsourcing additional services (ex: Police Department), or consider a reduction in services

Recommendations

While this budget presents some challenges due to numerous factors, future budgets will be more challenging. If the Council does not utilize PA 33, the City will need to operate on as-needed services only and will potentially have to reduce the staff and services offered to the community. Additionally, if a Headlee Amendment is placed on the November 2025 ballot and is not approved by the voters, the City Council will have additional challenges that will need to be addressed.

Conclusion

Next year's budget presents some challenges as well as significant opportunities. This Recommended Budget maintains the high quality of service the citizens of Lathrup Village expect, awards employees for good performance, and makes strategic investments in high-priority services. I would like to thank the City staff for their assistance in the development of this Recommended Budget, and I look forward to working with each of you to develop a final budget for Fiscal Year 2025-2026 that will meet the service needs and expectations of our citizens and community.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Greene".

Mike Greene
City Administrator

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