



May 27, 2025

Honorable Mayor Amanda Klotz
Jim Cunningham, Mayor Pro Tem
Catalina Burillo, Council
Dean Hodges, Council
Andrew Mullen, Council
Betty Root, Council
Karen Thomson, Council

CITY OF HART
HART, MICHIGAN

SUBJECT: FY2026 ANNUAL BUDGET - DRAFT

In accordance with Chapter IX of the City Charter, here is the proposed annual budget for FY2026 (July 1, 2025 – June 30, 2026) for the City of Hart, Michigan. Thanks to Mayor Klotz, the City Council, Committees, Boards, and Superintendents for their invaluable assistance in preparing this document. Below is a review of the FY2025 accomplishments and proposed goals for FY2026.

FY2025 ACCOMPLISHMENTS

Constructed six new housing units at The Creeks Development with four additional units in construction.

Replaced the majority of aged water meters in Hart and implemented remote meter reading technology as a massive efficiency measure for city staff.

Infrastructure upgrades and road replacement completed on Dryden, Wood, Hart, and Jefferson Streets.

Purchase used dump truck for DPW/Street Department to ensure public safety through expedient plowing and salting during snow events.

Replaced dozens of utility poles at end-of-life as directed by pole inspection results.

FY2026 (July 1, 2025 – June 30, 2026) Budget

Continued tree trimming to minimize Hart Energy power outages.

Received \$300,000 grant to help support Lake road circuit rebuild project through the Department of Energy Grid Resilience Grant Program

Continued work with drinking water asset management project with awarded grant funds in the amount of \$407,400 to survey the city's water supply inventory and help support the state mandated replacement of drinking water service lines.

FY2026 GOALS

Begin fundraising campaign to utilize DNR grant award of \$300,000 to improve Veteran's Memorial Park.

Implement property maintenance code enforcement and rental inspection program.

Seek infrastructure grant to fund a redundant water main along Oceana Drive to better serve North East Hart.

Work with city staff, engineers, and stakeholder support to seek out and apply for other available grants.

Site remediation of Boy Scout Cabin. (A 2023 goal)

Completion of Drinking Water Asset Management Grant (DWAM) to study and assist with replacement planning of city water supply lines per state mandate.

Research Diesel Power Plant potential strategies.

Payments in-lieu of taxes (PILOT) from City utility operating revenues have plateaued and should be reviewed in FY 2026 as they have not been raised in over 7 years.

Continue risk management assessments and emergency planning with Hart Police Department. Projects include surveillance of critical infrastructure/assets, access control, and staff training.

Lease a new dump truck to satisfy our need to efficiently plow and salt our city streets during winter weather events.

Work to further enhance budgetary reporting and begin long-term budgeting to address the increasing cost of operations and infrastructure maintenance.

FY2026 (July 1, 2025 – June 30, 2026) Budget

FY2026 GOALS (CONTINUED)

The City of Hart anticipates receiving an award upwards of \$448,523 in funding from the Safe Routes To Schools program. The Michigan SRTS program is managed by the Michigan Department of Transportation with support provided by the Michigan Fitness Foundation. The grant funds will support the extension of our Bike Trail from Wood and Water Street north to Johnson, west to Plumb Street, North to Tyler and west to the mobile home park at 72nd and Tyler. This is a welcome addition to our existing outdoor recreational opportunities, providing additional safety to our students, and continuing development of National Bike Route 35 (BR35)

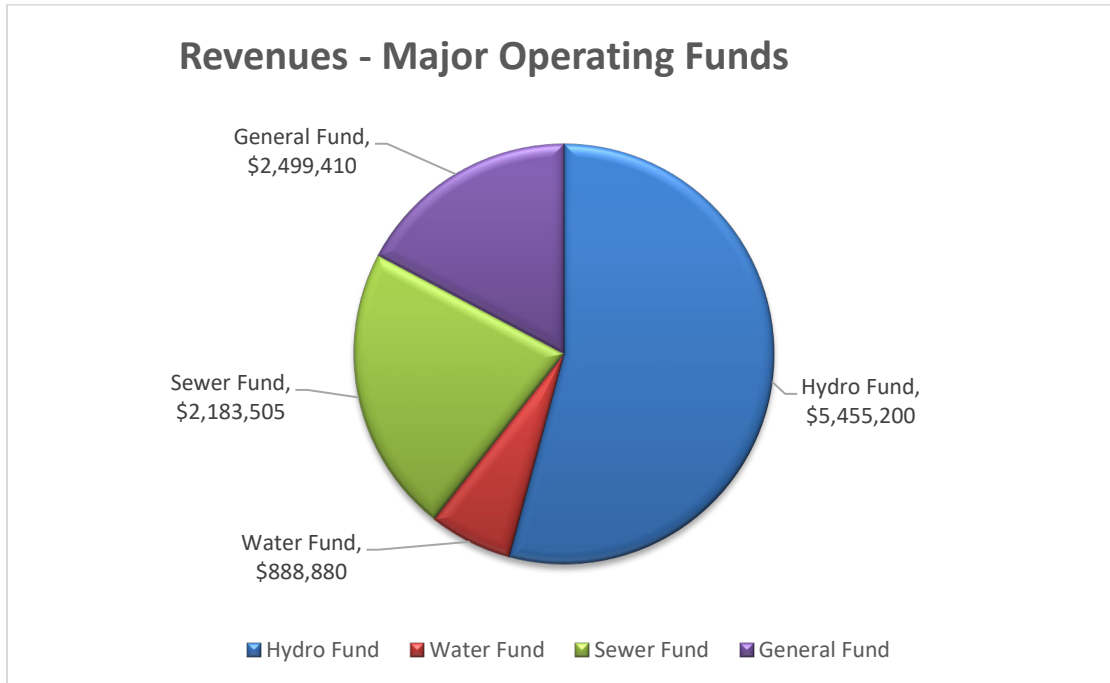
Legacy - FY 2026 Goals and Priorities

Department	Goal	Estimated Expenditure	Notes
City Hall	Continued Security enhancements	\$22,000	In cooperation with the 2022 Hart City Hall Threat Assessment
City Hall	Soffit & lighting replacement at entrance	\$6,500	
Police	New Vehicle	\$65,000	
DPW	Dump Truck	\$250,000	
DPW/Energy/BioPure	*Industrial Vacuum Truck (Wishlist)	\$250,000	Used to Jet lines, catch basins, storm drains, and hydro-excavation (Wadel purchased one)
Parks	*Veteran's Park planned construction	\$1,300,000	(\$300,000 grant + \$500,000 local match = \$600,000 in gap (\$300K in value engineering))
Parks	John Gurney Park plan	\$3,500	Work to develop a 5-year growth plan
Parks	Refresh Disc Golf Course	\$14,000	2025
DPW	Backhoe	\$20,000	2026
Energy	Refer to GRP CIP	\$950,000	FY 2026 Planned projects (likely 50%+ savings)
Energy	New indoor/covered storage	\$100,000	Potential move of building from Ceres Solutions Property to Energy Site
BioPure	Hose for pump and add fittings to bldg	\$14,000	Used primarily in BioPure, but can be used in any department to move water
BioPure	Gator	\$8,500	
BioPure	BioSolids application alternative research	\$20,000	Consultant/engineer - \$490,000/year for biosolid hauling
Streets	Hart Street north of Main	\$24,000	patch work
Streets	South Plum	\$40,000	Align to survey and place aggregate
Streets	Both ends of Woodlawn on East Main	\$24,000	patchwork
Streets	Industrial Park Drive	\$200,000	resurface - no curb/gutter
Water	Water Tower Maintenance	\$25,000	Pending inspection results
Water	Water Tower Maintenance	\$22,000	Security system improvements
DPW/P&R	Pocket Park	\$8,500	
Water	Water Tower Maintenance	\$8,000	Inspection
DPW/Water	Pick-up Truck	\$34,000	4 guys sharing 5 trucks
Parks			
Parks	Hart Commons	\$4,500	Deck is moving - Engineering to identify fix
Parks	Vet's Park	\$10,000	Mini excavator = dig out area and rebuild seawall and replace all deck boards - (\$10,000?)

* pending funding

REVENUES

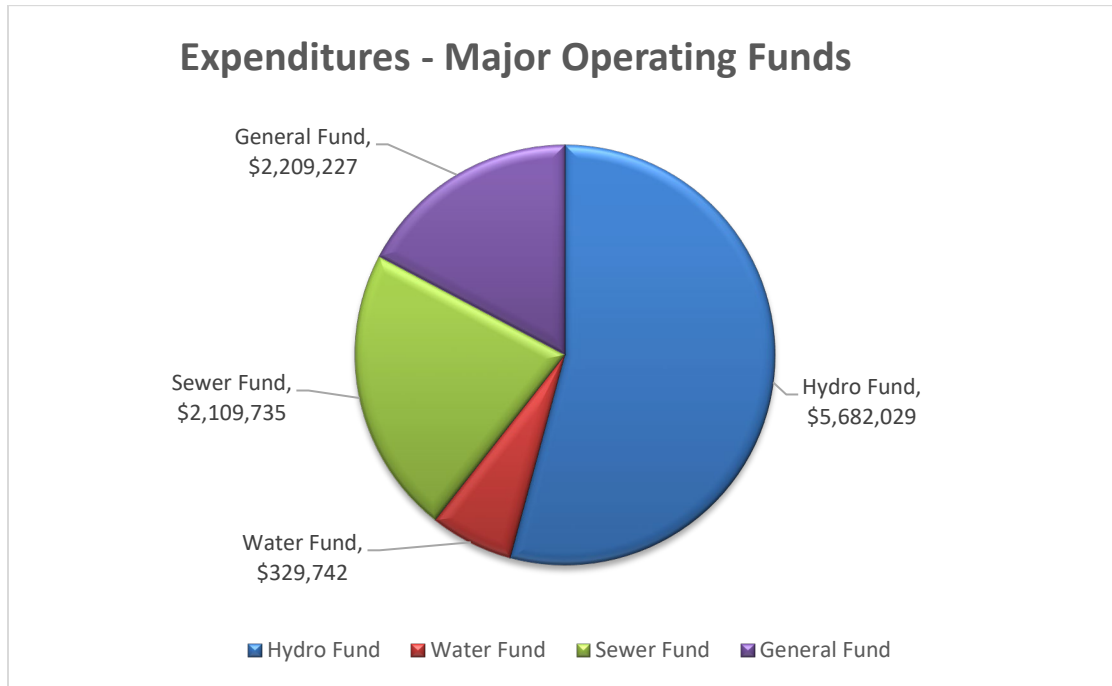
The annual budget contains statements of revenues and expenditures for the fiscal year July 1, 2023 – June 30, 2024. It is also a planning document in that identifies projects and programs the city will undertake during the year. Here are the major operating funds with corresponding revenues totaling \$11,026,995:



The General Fund has a mix of funding sources. Property taxes are increasing significantly and constitute the largest funding source. Several new properties are coming onto the tax rolls, helping to increase annual tax revenue. These properties include parcel annexation into the city, 26 properties that were identified in the 1997 425 agreement with Hart Township (but never transferred), and the newly developed sites in the creek's subdivision. These additions will bring an additional \$50,000 in revenue to the city annually beginning with this year's tax roll adoption. Payments in-lieu of taxes (PILOT) from City utility operating revenues have plateaued and should be reviewed. State revenue sharing has increased slightly due to new state and federal funds. General Fund revenues total \$2,499,410.

EXPENDITURES

This chart shows the major fund expense categories and includes the use of cash reserves totaling \$10,330,733. The city supports Hart Cemetery, Hart Area Fire Board, Hart Economic and Redevelopment Team, Hart Area Recreation, Starting Block Kitchen Incubator and Hart Historic District. The FY2026 Major Operating Fund expenditure overview is as follows:



STAFFING

FY2026 Staffing Levels		
Department	Full-time	Part-time
City Hall & Historic	5 0	1 1 & Volunteers
HEART	0	Volunteers
Police	5	1
Public Works	4	1
Hydro	5	0
Wastewater	3	0
Parks & Recreation	1	2
TOTAL	22	6

SUMMARY

Utility Rates and Fees – This year continues to implement our Water and Sewer rate increases (As part of the State Revolving Fund Bond repayment plan adopted by council in 2022) and an electric rate increase of 3.5% (As council adopted following the financial study in 2024) to meet our Capital Improvement planned and forecasted goals.

Taxes – Millage rates are proposed to remain consistent with prior year rates.

Grants – The City was awarded U.S. Economic Development Corporation \$2,887,000 grant to help cover some of the cost of proposed \$9,500,000 wastewater, water, and road infrastructure projects. The state awarded principal forgiveness of 50% (up to \$4,250,000) to support the improvements of the wastewater system. A DNR Trust Fund Grant of \$300,000 (awarded in 2021) will help cover the Veterans Park renovations cost, additional funds will need to be raised to proceed with construction. The previously mentioned SRTS grant will support the construction of a multi-use path from Wood and Water Street to 72nd and West Main. Drinking Water Asset Management (DWAM) Grant will wrap up this year, helping to develop a lead service line replacement strategy and infrastructure Capital Improvement Plan. A Grid Resiliency Grant will support the cost of rebuilding the Lake Road energy circuit.

Debt – A 2023 approved \$9,500,000 SRF loan will be repaid over 30 years using utility rate payer funds to allow the necessary reconstruction of several proposed Water, Wastewater, and Road projects.

Staffing –. Goals in 2026 include an efficiency measure to digitize archived paper records to reduce the amount of storage space needed for city records and add the ability to easily find old documents. A temporary part-time position will continue to focus on this effort. No other new positions are planned.

RECOMMENDATION

Here is the total budget, including General and Enterprise fund activity, transfers, and inter-fund payments:

TOTAL FY2026	<u>REVENUES</u>	<u>EXPENDITURES</u>
	\$11,026,995	\$10,330,733

Respectfully,



Rob Splane
City Manager