

Budget Summary 2016-2017 (Proposed Budget)

To: Village Council and Citizens of Elk Rapids,
 Re: Budget Message 2016 - 2017

You will see the budget is broken down according to funds (the first set of three numbers), activities (the second set of three numbers), and account numbers (the third set of three numbers).

Example:	<u>101</u> General <u>Fund</u>	<u>216</u> <u>Activity</u> General Service Administration	<u>700</u> <u>Account</u> Salary & Wages
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As a community, we adopt our budget formally by fund and activity. During the course of the fiscal year, the council may wish to amend the budget by changing the amounts designated to specific fund and activity numbers. Also, the manager may amend an account number as long as it does not change the amount in the activity or fund total.

MILLAGE RATES FOR FISCAL YEAR 2015-2016 WERE:

General Fund	7.5800
Waste Fund	.7800
Streets	3.0200
Debt	<u>.4200</u>
Total	11.800

PROPOSED MILLAGE RATES FOR FISCAL YEAR 2016-2017:

General Fund	7.3700
Waste Fund	.8000
Streets	3.2660
Debt	<u>.3640</u>
Total	11.800

NOTE ON TAXABLE VALUE: Taxable value projected for the Village of Elk Rapids is \$112,238,348, about a 1% increase from last year. This increase does not take into account any new construction value or uncapping due to a transfer of ownership. Once these items are established, taxable values will change. At that

time, council may need to adjust the budget as necessary and/or adjust the millage rate.

PRIOR YEAR ENDING CASH VALUE: In the revenue section of each fund, you will see a line with the third set of numbers being “699” followed by the words “PRIOR YR/ENDING CASH BALANCE.” This number is just an estimate at this time.

Utility Rates 2016-2017

Water Capital	\$9.70 (flat rate increase of \$1.00/month)
Water Rate	\$9.80 (flat rate increase of \$1.00/month) \$2.00/1,000 gallons (usage inc. of .76/1000 gal. as of 3/1/16)
Sewer Rate	\$31.45/month \$6.14/1000 gallons

General Fund (101)

The General Fund is the most important fund of the local unit of government since it is used to account for all revenues, expenditures and activities not specifically provided for in other funds. Most of the current activities of the local unit of government are accounted for through this fund, which covers a wider range of activity than other funds. The general fund receives a greater variety of revenues, such as general property taxes, license fees, fines, penalties, permit fees, state aid and grants, federal grants revenues from use of money and property, charges for current services and other revenues.

As noted in the computer budget print out, the majority of revenue in the General Fund comes from ad valorem taxes. We will not know our exact taxable value until later this year. Any percent of increase will include both new constructions; state allowable consumer price increase and sales as well as any allowable deductions. For state revenue sharing, I have used the most recent figures from the Department of Treasury. It is proposed that there be a transfer of revenue from Major Street, Local Street, Water Operation, Sewer Operation, Harbor, DDA, Equipment and Refuse to the General Fund for the purchase of general supplies and materials, and to help fund maintenance costs of the Government Center.

You will note that the proposed income for this budget year balances with expenditures. It is my recommendation that council retain any year-end fund balance for cash flow during this budget year. Prior to tax collection, our General Fund cash reserve can drop at times to 25K. After a final determination is made of year-end cash balance, and it is determined that there is excess cash over what is necessary for cash flow, there is a possibility some of those funds could be designated to General Capital for other expenses.

General Capital (401)

The Village of Elk Rapids General Capital Fund is used to account for the receipt and disbursement of monies for acquisition of capital facilities, capital improvements and other major purchases other than those financed by Special Assessment and Enterprise Funds. All revenues come from transfers from the General Fund, receipts from Cable Franchise, METRO fees, rental of the Third Street parcel. We are currently in negotiations with Speedway to renew the Lease Arrangement as they work toward contamination clean-up of that parcel.

Street Funds

The Village of Elk Rapids budget consists of five street funds; they are 204 Municipal Street Fund, 202 Major Street Fund, 203 Local Street Fund, 394 Bridge Street Bond, and 398 River Street Bond. These funds, although separated for specific purposes, make up the operation of the entire street program for the village. The street program is generally a self-supporting fund and is classified as a special revenue fund. The street fund is not entitled to receive revenue from the general fund.

204 Municipal Street Fund:

This fund is self-balancing, and is used for street operations not provided for under the provisions of Act 51. The majority of revenue comes from our street tax. The proposed millage rate is slightly higher than last year. The largest direct expenses will be for street lighting, Bridge street debt and a TIFA transfer.

202 Major Street Fund

This fund is to be used (1) to receive all Major Street revenues paid to villages by the state, (2) to account for construction, maintenance, and winter operations pertaining to all streets classified as “Major” streets within the village, (3) to receive monies from a special tax levied for street improvement purposes (none at this time). The village presently has 6.36 miles of Major Street.

Most of the activities titled here need no explanation. For gas and weight tax we are using the most recent Department of Transportation figures. A majority of revenue can come from a transfer from the Municipal Street Fund. Most expenses are typical.

203 Local Street Fund

This fund is to be used (1) to receive all Local Street revenues paid to villages by the State, (2) to account for construction, maintenance, traffic services, and snow and ice control on all streets classified as “Local Streets” within the local unit of government (this includes construction done from money raised by special assessing property owners for street improvements) and, (3) to account for special taxes levied for street purposes (none at this time). There are 11.48 miles of local street.

We are using the Department of Transportation’s most recent figures for gas and weight tax revenue. Revenue from Municipal Street is transferred to help balance this budget. Construction is planned to finish the Fourth St/Millers’ Park project (after a water main improvement project in previous fiscal years).

394 Bridge Street Bond

This fund is used to pay for bonds on the South Bridge Street project. It receives a revenue transfer from fund 204, Municipal Street. This debt will be paid in full in fiscal year 2018-2019.

398 River Street Bond Debt.

This fund collects money from Municipal Street and Water Capital to pay for River Street Debt. The debt was refinanced in 2013 at a much lower interest rate. This debt will be paid in full in fiscal year 2024-2025.

Waste Collection Fund (228)

This fund is a self-balancing account, which is used to account for tax dollars which pay for the operation of the Compactor. The fund is classified as special revenue because of the comparatively limited usage of assets. The majority of revenue comes from two different sources: property taxes and compactor fees (bag purchases). The prime expense is for contracting of refuse removal and site maintenance.

Building Operation and Replacement Fund 296

The purpose of this fund is to collect revenue from the village general fund and Elk Rapids Township for the general operation of the governmental center. Cost sharing is for various utilities, building cleaning, snow removal, lawn mowing, etc.

Water Funds

The Village of Elk Rapids budget now consists of two water funds: 595 Water Operating Fund (now merged with 409 Water Capital Fund) and 301 River Crossing Debt Retirement. These funds, although separated for specific purposes, make up the operation of the entire water program for the village. The water program is a self-supporting fund (Enterprise Fund), which does business with individuals and firms outside other departments.

595 Water Operating Fund:

This fund is the nuts and bolts of the water system. It collects the majority of its revenue (approx. 90% +/-) from water customers for water used. The revenue is expensed out for the general operation and up-keep of the system. Money is transferred to the Water Debt Fund to pay for debt or improvements. An increase in water usage fee (\$.76/1000

gallons used) will be in effect as of March 1, 2016. The monthly flat fees will each increase by \$1.00 effective March 1, 2016. We are currently looking into funding for some major water infrastructure repairs in the near future.

301 River Crossing Debt:

This fund is used for debt retirement of the river-crossing water project that was completed in 2000. The revenue is received through a voted tax on the summer tax bill. The tax is adjusted slightly each year to reflect the necessary income needed for that year's debt payment. This millage rate for this fund has been reduced from last year due to the actual taxable values last year being higher than anticipated. This debt will be paid in full in fiscal year 2020-2021.

Sewer Funds

The Village of Elk Rapids budget consists of three sewer funds: 405 Sewer Capital Fund, 590 Sewer Operating Fund, and 392 SRF Bond/WWTP Debt Fund. These funds, although separated for specific purposes, make up the operation of the entire sewer (generally not storm sewer) program for the village. The sewer program is a self-supporting fund (Enterprise Fund), which does business with individuals and firms outside other departments.

590 Sewer Operating Fund:

This fund is the nuts and bolts of the sewer system. It collects the majority of its revenue from sewer customers. The revenue is expensed out for the general operation and up-keep of the system. Money is transferred to the other two sewer funds to help pay for debt or improvements.

Our rates as of March 1, 2016 will remain at \$31.45 flat monthly fee per customer and \$6.14/ 1,000 gallons used.

405 Sewer Capital Fund:

Capital Project Funds are used to account for the receipt and disbursement of monies for the acquisition of capital facilities other than those financed by Special Assessment and Enterprise Funds. The revenue received by this fund is through a benefit charge fee placed on new sewer customers, and transfers from Sewer Operation. It will be expensed out as the need arises to replace existing sewer infrastructure.

392 SRF Bond/WWTP Debt Fund:

This fund is used for debt retirement of WWTP improvement project currently under construction and expected to be completed in this fiscal year.

Harbor Funds

The Village of Elk Rapids has four harbor related funds: 407 Harbor Capital, 594 Enterprise Harbor, 795 Harbor Debt and 794 Construction. These funds, although separated for specific purposes, make up the operation of the entire harbor operation program for the village. The harbor program is a self-supporting fund and as such **receives no tax dollars.**

594 Harbor Enterprise:

This fund is a self-balancing and self-supporting fund that does business with individuals and firms outside the local unit departments and is therefore classified as an enterprise. The establishment and authorization of this type of operation is accomplished by a resolution of the local unit or by special vote of the people. Money for harbor operation can be supplied by: (a) a loan or advance from the general fund; (b) bond proceeds from the sale of revenue bonds; and (c) revenues received from use of these facilities. Historically, the only revenue used has been item (b) and (c). Revenue for this fund comes through a multitude of sources; however, the primary source is that of contracts for slips. The State Waterways Commission sets the lower harbor rates; we can go higher, but not lower. Both Upper and Lower Harbor fees stayed the same as the previous fiscal year.

Expenses are somewhat typical this year. This fund will transfer \$149,000 to fund 407 and \$110,000 to fund 795 (a decrease from last year) for debt repayment.

407 Harbor Capital:

Capital Projects Funds are used to account for the receipt and disbursement of money for the acquisition of capital facilities. The revenue received by this fund is through transfers from Harbor Enterprise. It will be expensed out as approved and as funds are available. Revenues received in this fund only become available when Harbor Enterprise and Harbor Debt have been satisfied. In 2016, projects include fuel line nozzle replacement, parking lot re-striping, construction of a storage building, shower improvements, a new Harbor vehicle and electrical upgrades for ground fault protection.

794 Harbor Construction:

As of this date, there are no budgeted items for FY 16-17.

795 Harbor Debt:

Harbor Debt is used only for the recording and payment of debt incurred by the Harbor. Revenue is received from seasonal slip fees. See attached "Debt Retirement Schedule".

Motor Vehicle (661)

The Motor Vehicle Fund is a self-balancing group of accounts which are used to account for monies necessary for the operation of a motor vehicle pool. This fund is classified as an intergovernmental service fund because it performs services for and/or provides commodities to other departments. The General Fund, Major and Local Street Funds, Water Fund, Waste Fund and Sewer Fund supply money for the operation of this fund. The amount charged to each fund is based on the required need in the Motor Vehicle Fund relative to each fund's past history of actual usage.

These budgeted transfer amounts will be automatically completed over the course of the year. This fund balance will accumulate as we anticipate scheduled replacement of major equipment over the next several years.

Downtown Development Authority

The Village of Elk Rapids presently has one Downtown Development Authority Fund - DDA (791). The fund includes two (original D2 and new D3) Tax Increment Finance Districts. The authorities are established by local legislation according to Public Act 197 of 1975. Monies to support DDA projects are generated through the Tax Increment Finance Districts. Authorities may also tax themselves up to and including 2 mills.

791 Downtown Development Authority

TIF revenues are not exactly known for 2016. Estimates have been made for budgeting purposes. The DDA is anticipating contracting with the NLEA for a part-time DDA Director. In addition, this district will reimburse revenues that are collected over Attachment 16 of the D2 district. (The DDA had its boundaries amended and a new Tax Increment Finance District, D3, implemented in 2011. The base year for the new TIF is December 2010. It is not known yet what revenues this fairly new district will see in 2016, although a slight increase has occurred each year. When the tax base does increase, it will not include any tax collection from millage levied by Antrim County.)