

CITY OF BROWN CITY



ECONOMIC VITALITY INCENTIVE PROGRAM
– PHASE I
ACCOUNTABILITY & TRANSPARENCY
BUDGET REPORT
2012 – 2013 FISCAL YEAR
2013 – 2014 FISCAL YEAR

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This report includes information for the current fiscal year and the immediately following fiscal year. This information includes revenues and expenditures, detailed listings of the City's debt service requirements, and an explanation of the assumptions used for all projections. The production of this information satisfies all relevant requirements included in Public Act 200 of 2012 [Section 952].

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WELCOME

Welcome to the Economic Vitality Incentive Program Phase I Budget Report for the 2012 – 2013 fiscal year and projected 2013 – 2014 fiscal year for the City of Brown City. As a governmental entity, we continually strive to provide a transparent and responsive government operation ,and are pleased to present this report to you. Questions concerning this guide may be directed to the City Manager at (810) 346-2325.

The following information is drawn from the 2012/2013 Brown City Budget approved by the City Council in March 2012. The City Budget consists of three types of funds: Revenue, Enterprise and special. Revenue funds use tax dollars directly and consist of the General Fund (property tax and revenue sharing (EVIP)), Major and Local Street Funds (Act 51, Street Reserve Account, County Road Tax, Metro Act), and Park Fund (special-voted Park Millage). Enterprise Funds are fee for service, generally expected to be self-supporting, and include the Water, Arsenic Abatement, Sewer, Storm Sewer, Cemetery, and DDA Funds. Special or Reserve Funds are accounts required by law or the City Council for a specific use and includes the Sewer Reserve Account, Street Reserve Account and Cable Account.

Additional sources include the 2011 and 2012 Audited Financial Report produced by King & King CPAs LLC.

Mayor – Christine Lee

Mayor Pro-Tem – Julie Miller

Council Member – Patricia Jacobson

Council Member – Dan Loutzenhiser

Council Member – Ross McIvor

Council Member – Eugene Navock

Council Member – William Walters

BUDGET REPORT OVERVIEW

This page highlights the current mill rates and utility rates being levied or charged for each relevant City activity or fund and the proposed rates for the upcoming 2013 – 2014 fiscal year [which runs from April 1, 2013 to March 31, 2014]:

MILLAGE RATES

	<u>2012-2013 FY</u>	<u>2013-2014 FY</u>
General Operating Mill Rate	16.8733 mills	16.8733 mills
Park	1.2500 mills	1.2500 mills
TOTAL MILLS LEVIED:	18.1233 MILLS	18.1233 MILLS

Note: This report assumes that these millage rates will remain unchanged for the 2013 – 2014 fiscal year. Currently, the City Council does not charge the maximum number of mills allowed by the State of Michigan. However, these rates are also subject to change as new legislation and regulation is passed by the Michigan Legislature and as new information regarding the overall fiscal health of the City is obtained. **These rates are only projections, and are potentially subject to change.**

UTILITY RATES

2012 – 2013 FY Arsenic Abatement Rate:	\$5.00 per household
2013 – 2014 FY Arsenic Abatement Rate:	\$5.00 per household [Projected]
2012 - 2013 FY Sewer Rate:	\$19.00 Sanitary + \$3.67 Storm
2013 - 2014 FY Sewer Rate:	\$19.00 Sanitary + \$3.67 Storm [Projected]
2012 - 2013 FY Water Rate:	\$21.00 Water + \$1.33 Maintenance
2013 - 2014 FY Water Rate:	\$21.00 Water + \$1.33 Maintenance [Projected]
2012 - 2013 FY Refuse Disposal Rate:	\$10.00 per household
2013 - 2014 FY Refuse Disposal Rate:	\$21.00 per household [Projected]

Note: The residences in the City of Brown City generally do not have water/sewer meters. Rates detailed above are based on a three person household. Individual rates are based on the self-reported number of people in the household. Utility rates are only subject to change following the adoption of a City Ordinance. No increases are currently anticipated for FY 2013-2014. However, as new legislation and regulation is passed by the State of Michigan legislature and as new information regarding the overall fiscal health of the City is obtained, the City Council could be forced to increase rates. **These rates are only projections, and are subject to change.**

GENERAL FUND OVERVIEW

The general fund is projecting the following revenues for the 2012 – 2013 fiscal year and 2013 – 2014 fiscal year:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Taxes	\$354,750	\$366,000
Licenses/Permits	\$ 50	\$ 100
State Revenue Sharing	\$118,200	\$133,000
Fines & Forfeits	\$ 190	\$ 200
Refuse Collection Fees	\$ 46,000	\$ 46,000
Library	\$ 37,370	\$ 38,000
Fees and Charges	\$106,880	\$107,000
Interest and Rents	\$ 15,330	\$ 15,400
Reserve	\$ 60,000	\$ 30,300
TOTAL REVENUES	\$738,770	\$736,000

The general fund is projecting the following expenditures for the 2012 – 2013 fiscal year and 2013 – 2014 fiscal year:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Governing Body/Mgmt	\$117,160	\$118,000
Clerk & Elections	\$ 10,480	\$ 10,200
Treasurer / Assessor / BOR	\$ 24,700	\$ 24,700
Admin Department	\$ 93,500	\$ 95,000
Sidewalk & Parking	\$ 3,090	\$ 3,100
Buildings & Grounds	\$ 38,960	\$ 39,000
Public Safety	\$197,610	\$195,000
Public Works	\$ 42,620	\$ 42,000
Street Lighting	\$ 30,000	\$ 30,000
Refuse Collection	\$ 46,450	\$ 47,000
Library	\$ 30,610	\$ 30,600
Transfers to Other Funds	\$ 58,470	\$ 58,400
Insurance & Benefits	\$ 34,900	\$ 35,000
Community Promotion	\$ 8,840	\$ 8,000
Contingency	\$ 1,380	\$ 000
TOTAL EXPENSES	\$738,770	\$736,000
TOTAL SURPLUS/(DEFICIT)	\$00	\$00

GENERAL FUND OVERVIEW

The **projected** beginning and ending funds balances for the 2012 – 2013 FY and 2013 – 2014 FY follow:

	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$799,176	\$743,654
2013 – 2014 FY	\$743,654	\$713,354

These fund balances contain money that falls into three categories: Reserved, Designated and Undesignated. Reserved and Designated funds are kept within separate accounts in this fund and must be used for specific, City Council designated or legally required, investments, such as road construction, building repair and unemployment insurance payments. Undesignated Funds may be appropriated by the City Council for any lawful purchase; however, they are generally kept in reserve for emergencies or to continue programs during times of declining revenue such as exists now. Having paid off a USDA Loan, no debt service requirements are due out of the General Fund in 2013/2014.

- The adopted budget was developed around the goals established by the City Council. The City Council made some difficult decisions concerning the allocation of scarce financial resources, such as for infrastructure improvements. Community Promotion funds were used to subsidize the Thumb Soybean Festival. Resources were used enforce the City's zoning, blight and junk car ordinances.
 - The current and projected budgets balance. However, reserves were drawn down to facilitate this requirement. Extra costs were primarily for capital improvement projects such as the North Cade Road resurfacing project.
 - Real property tax collections will increase slightly following three years of declining property values that caused a decrease in revenues from property taxes of over 25%. No increase in City Operating or Park Millage is anticipated at this time.
 - Personal property tax collections could decrease by about \$24,000 as a portion of property taxes collected [due to the anticipated restructuring of the personal property tax by the State of Michigan legislature].
 - State shared revenue funds will increase by approximately 11% if required documentation for EVIP Phase I is accepted by the State of Michigan and sales tax revenue meets expectations.
 - Refuse collection revenue will remain stable since the City will be entering the second year of a three year contract that does not call for an increase in fees.
 - Library rent and utilities will remain flat as the existing lease agreement continues to 2014. Library wages are reimbursed by the Library Board.
 - Fees and charges plus rents are generally fixed as a result of continuing multi-year contracts. Anticipate revenues and expenses to continue at current levels.
-

MAJOR STREETS FUND OVERVIEW

The major streets fund is responsible for maintaining and improving about 3.37 miles of streets within the City of Brown City. The following highlights this fund for the 2012 – 2013 fiscal year and 2013 – 2014 fiscal year:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Act 51 Funding	\$67,100	\$ 67,100
Other Revenues	\$15,800	\$175,800
TOTAL REVENUES	\$82,900	\$242,900

The major streets fund is projecting the following expenses for the 2012 – 2013 fiscal year and 2013 – 2014 fiscal year:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
TOTAL EXPENSES	\$82,900	\$242,900
TOTAL SURPLUS/DEFICIT	\$00	\$00

The **projected** beginning and ending funds balances for the 2012 – 2013 FY and 2013 – 2014 FY follow:

	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$85,225	\$113,990
2013 – 2014 FY	\$113,990	\$ 1,185

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Act 51 funding levels will remain unchanged.
 - Current service levels will remain unchanged.
 - Winter Maintenance costs could fluctuate depending on the duration of the winter storm season.
 - Capital improvements projects anticipated include milling and resurfacing South Cade Road and Walter Street. Cost of these projects is initially estimated at \$160,000. Funds will be drawn from the Major Street Fund and General Fund Reserve Accounts.
 - Note: No debt service requirements are due out of the Major Streets Fund.
-

LOCAL STREETS FUND OVERVIEW

The local streets fund is responsible for maintaining and improving approximately 4.90 miles of City streets. An overview for the 2012 – 2013 fiscal year and 2013 – 2014 fiscal year follows:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Act 51 Funding	\$24,000	\$24,000
Other Revenues	\$20,580	\$20,580
TOTAL REVENUES	\$44,580	\$44,580

The local streets fund is projecting the following expenses for the 2012 – 2013 fiscal year and 2013 – 2014 fiscal year:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
TOTAL EXPENSES	\$44,580	\$44,580
TOTAL SURPLUS/DEFICIT	00	00

The **projected** beginning and ending funds balances for the 2012 – 2013 FY and 2013 – 2014 FY follow:

	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$7,374	\$9,211
2013 – 2014 FY	\$9,211	\$ 885

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Act 51 funding levels and current service levels will remain unchanged.
 - Winter Maintenance costs could fluctuate depending on the duration of the winter storm season.
 - No Capital improvement projects are currently anticipated for the any of the Local Streets during the current or immediately following fiscal year.
 - Note: No debt service requirements are due out of the Local Streets Fund.
-

WATER FUND OVERVIEW

This enterprise fund collects fees that are used maintain and upgrade the City's water system. The City of Brown City is supplied by groundwater drawn from two wells. Well Number 3 was drilled in 1967, last overhauled in 2007, and is located in the northeast section of the City near the water tower. Well Number 4 was drilled in 1974, last overhauled in 2010, and is located about 1,600 feet south of Well Number 3. Both wells are approximately 320 feet deep and draw water from the Black Watershed. The City owns the land around these wells and restricts any activity that could contaminate them. After the water comes out of the wells, we add chlorine to protect you against microbial contaminants. Wells Number 1 and 2 are no longer in service. Water is provided to homes and businesses via about 8.5 miles of water mains.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$148,740	\$125,300
Expenditures	\$148,740	\$125,300
Ending Balance	\$00	\$00

The **projected** beginning and ending funds balances for the 2012 – 2013 FY and 2013 – 2014 FY follow:

	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$317,573	\$344,225
2013 – 2014 FY	\$344,225	\$290,225

The following assumptions were used for the details contained within this fund follow:

- Revenues generated from fess are expected to remain flat since no increases are anticipated at this time. The replacement of about 500' of 4' cast iron water main with 6" pipe from M-90 to Second Street along Walter Street was completed in late August are required by DEQ. Cost was about \$54,000. This cost was not reflected in the initial 2012/2013 City Budget when it was approved by the City Council in March 2012. Project cost will be drawn from Fund Balance.
- The debt service of \$22,700 reflected in the 2012/2013 City Budget was the final payment for the Water Tower Refurbishment Bond. There are no debt service requirements in the 2013/2014 City Budget.
- No significant capital improvements are anticipated in next year's budget.

ARSENIC ABATEMENT FUND OVERVIEW

This enterprise fund collects revenues that are used to maintain the equipment in place to remove naturally occurring arsenic from the City's drinking water supply. Principal expense was the initial installation of the equipment and periodic replacement of the arsenic absorption media. This media lasts for 5-6 years before requiring replacement at a cost approaching \$100,000 for each well. This equipment has been operational on Well #4 since April 2004 and on Well #3 since January 2008. The Well #4 system was paid for by a grant from the EPA. The Well #3 equipment required the acquisition of a bond for \$700,000. Payments on this bond will continue through 2027.

These revenues are generated from the \$5.00 monthly fee per water customer.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$66,750	\$66,750
Expenditures	\$66,750	\$66,750
Ending Balance	\$00	\$00
	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$25,811	\$ 1,403
2013 – 2014 FY	\$ 1,403	\$ 1,,225

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Revenues generated from the Arsenic Abatement Fee are failing to generate the funds necessary to meet the annual principal and interest payment of \$52,350. Anticipate a transfer from this year's Water Fund to cover the anticipated shortfall. However, the City Council will need to address this issue prior to taking action on the 2013/2014 City Budget.
 - Media replacement is not anticipated within the next two fiscal years.
 - The principal and interest payments will remain essentially unchanged at \$52,350 (\$25,000 principal, \$27,350 interest) through 2027.
 - Note: No debt service requirements are due out of this fund.
-

SEWER FUND OVERVIEW

This enterprise fund collects revenues that are used to pay for the operation of the sanitary sewer system and the wastewater treatment facility. The entire system of sewer mains was overhauled during a three year program beginning in 2006. This DEQ-mandated project was financed by a \$200,000 bond with payments continuing through 2018.

These revenues are generated from a monthly utility fee based on the number of household residents. Those commercial customers with a water meter are charged based on the metered schedule.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$117,920	\$120,000
Expenditures	\$117,920	\$120,000
Ending Balance	\$00	\$00
	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$160,840	\$159,859
2013 – 2014 FY	\$159,859	\$157,779

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Revenues generated from user fees will remain stable through the next fiscal year.
 - The principal and interest payments will remain unchanged at \$19,600 (\$12,500 principal, \$7,100 interest) through 2018.
 - Note: No debt service requirements are due out of this fund.
-

STORM SEWER FUND OVERVIEW

The City maintains and improves a storm water removal system that connects with the Lapeer and Sanilac County Drain systems. The fund is financed through a \$3.67 fee included on each monthly utility bill.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$26,070	\$26,000
Expenditures	\$26,070	\$26,000
Ending Balance:	\$00	\$00
	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$14,079	\$28,858
2013 – 2014 FY	\$28,858	\$56,464

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Fees will remain unchanged.
 - No significant capital improvement projects are planned for this fund.
 - Note: No debt service requirements are due out of this fund.
-

EQUIPMENT FUND OVERVIEW

The equipment fund is an internal service fund, which means that it receives revenues from other City funds. These funds are deposited into the equipment fund based upon the use of City equipment [based upon State of Michigan equipment charge rates per hour]. Expenses from this account are used to pay upkeep and maintenance costs associated with maintaining working and operable equipment and vehicles.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$53,260	\$54,000
Expenditures	\$53,260	\$54,000
Ending Balance	\$00	\$00

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Additional equipment will be sold, once it is no longer of valuable service.
 - Equipment use will remain constant.
 - Equipment purchase expenses will remain constant or decrease slightly.
-

PARK / RECREATION FUND OVERVIEW

This fund collects revenues through a 1.25 mill tax approved by voters in 2005 and will continue through 2026. The Brown City Park is comprised of 59+ acres that straddles the border between Sanilac and Lapeer Counties, it supports populations in both these counties. In addition to the residents and visitors to the City of Brown City, residents of the two adjoining townships (Burnside Township – Lapeer County and Maple Valley Township – Sanilac County) utilize the Park and are represented by voting members of the Park Board and contribute financially to Park operations. Neither Township has a park or public recreation area. The Park services an area of approximately 108 square miles with a year-round population of about 4,621, based on the size of our fire district. The Park has invested in new playground equipment, added picnic and barbecuing sites, and completed a project to install split-rail fencing around the perimeter of the Park all with locally generated funds.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$81,710	\$31,600
Expenditures	\$81,710	\$31,600
Ending Fund Balance	\$00	\$00
	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$47,747	\$41,491
2013 – 2014 FY	\$41,491	\$ 1,000

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Revenues generated from the millage will remain substantially unchanged.
 - Current service levels will remain unchanged.
 - Budget will decrease substantially with the near completion of a \$50,000 improvement project. No significant capital improvement projects are anticipated for next fiscal year.
 - Note: This fund is not currently obligated to make bond payments.
-

CEMETERY FUND OVERVIEW

This enterprise fund collects monies based on grave sales and interment fees.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$33,300	\$33,300
Expenditures	\$33,300	\$33,300
Ending Balance	\$00	\$00

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Revenue streams are uncertain due to the nature of this service.
 - Current service levels will remain unchanged.
 - Significant capital improvements projects are not anticipated at this time.
 - The cemetery fund is not currently obligated to make bond payments.
-

DDA FUND OVERVIEW

The City operates a downtown development authority. The primary mission of this organization is to underwrite business loans for current and prospective firms operating in the City's downtown area. Last year the DDA took possession of store following a default by the owner, and became solely responsible for upkeep and mortgage payments. The second active loan outstanding is current.

The following revenues, expenditures, and fund balances are projected for this fund for the 12-13 FY and 13-14 FY:

	<u>2012 – 2013 FY</u>	<u>2013 – 2014 FY</u>
Revenues	\$10,840	\$10,840
Expenditures	\$10,840	\$10,840
Ending Balances	\$00	\$00
	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
2012 – 2013 FY	\$47,747	\$41,491
2013 – 2014 FY	\$41,491	\$ 1,000

Further detail regarding specific line items of each revenue and expenditure category can be obtained by reviewing the 2012/2013 City of Brown City Budget located either at City Hall or www.ci.brown-city.mi.us. The assumptions used for the specific details contained within each category follow:

-
- Sufficient assets are now owned by the DDA to service the existing mortgage.
 - No additional troubled loans are encountered.
 - No additional grant funds will be received.
 - The DDA is not currently obligated to make bond payments.
-