

General Fund

Revenue and expenditures related to the general operations of the City except for street maintenance, utilities operation, waste collection, special activities, and major capital projects are accounted for in the General Fund. These (General Fund) activities include; City Council, Mayor, City Manager, Elections, Assessor, City Attorney, City Clerk, Treasurer, Public Rights of Way, Public Buildings, Public Safety, Public Works, Parks and Recreation and Forestry.

The primary sources of operating revenue to fund activities within the General Fund are property taxes and state shared revenues. The City Charter limits property tax rates to 10 mills¹ (ten dollars per \$1,000 of taxable valuation). State law limits the City's annual growth in taxable valuation and its taxing authority. The City's net [of the Downtown Development Authority ("DDA") capture] taxable valuation for fiscal year 2009/2010 is \$81,155,483².

The primary source of state shared revenues is sales tax collected by the State of Michigan and redistributed to local units of government on a formula basis. Fees, permits, investments, and other miscellaneous sources generate the balance of operating revenue.

Revenue - General Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$1,303,625 — 2.36% less than the \$1,335,129 projected to be received for fiscal 2008/2009. There is no grant funding budgeted this year to assist in the development of capital projects. Investment revenue is projected to be \$20,979³.

The taxable valuation for all parcels (inclusive of the DDA district) in the City is expected to (*decrease*) 1.77% for fiscal 2009/2010. Property tax revenue to the General Fund will (*decrease*) \$15,191 or 1.9% for fiscal year 2009/2010.

The trend of declining state shared revenues⁴ will continue through fiscal year 2009/2010. This trend began in 2001 and continues to be fueled by the national and state economies and the state of Michigan's overall financial condition.

¹ The maximum amount of millage that the City of Essexville is allowed to levy by its Charter for general operations is reduced by the (1978) Headlee and the (1994) Proposal A amendments to the Michigan Constitution to 9.7266 mills.

² Due to the continuing distressed real estate market the City's state equalized valuation ("SEV") declined resulting in a 1.89% reduction in the City's net taxable value from the previous fiscal year.

³ Based on present market conditions the projected return on investment is expected to average 2.0%. Fiscal year 2009/2010 investment revenue is expected to be 39.2% less than what is projected to be received in fiscal year 2008/2009.

⁴ The City now receives \$125,408 (23.9%) less state revenue sharing per year than it was receiving in fiscal year ended June 30, 2001. The shortfall in revenue sharing is the equivalent of 1.54 mills based on the City's 2009/2010 net taxable valuation.

Expenditures - General Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$1,295,292, which is an increase of 3.4% versus *projected* fiscal year 2008/2009 expenditures.

The various activities within the General Fund budget grouped by function are; *Legislation and Citizen Participation* — includes the City Council, the office of the Mayor and Elections — *General Administration* — includes the offices of the City Manager, City Clerk, City Treasurer, City Attorney, the City Assessor and Accounting & Audit — *Public Safety* — includes the Police and Fire activities — *Parks & Public Facilities* — includes City Hall, Forestry, Community Relations and Parks & Recreation — *Public Works* — includes Public Works, Sidewalk Repair/Construction, Public Rights of Way, and Street lighting — *Boards & Commissions* — includes Planning Commission, Board of Review and Zoning Board of Appeals.

A portion of the personnel expenses related to the offices of the City Manager, City Clerk, and the City Treasurer are distributed to activities within other funds commensurate with the administrative responsibility and oversight dedicated to those activities.

Consistent with the six-year Capital Improvement Program - covering fiscal years 2009/2010 to 2014/2015 — \$10,000 in capital projects and purchases have been budgeted for fiscal year 2009/2010. The proposed capital expenditures include equipment replacement and technology upgrades.

Sidewalk repair and replacement and forestry activities will again be limited in fiscal year 2009/2010. The General Fund will not receive grant funding this fiscal year to undertake any major public park improvements.

The annual rate of increase in the cost of providing health insurance and other benefits charged to the General Fund is projected to be 8.8%.

■ ***Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:***

- City Attorney – Based on projected workload the budget for this activity will increase \$5,000 or 25%.
- City Council – The City Council will not attend the legislative conference or the annual meeting for the Michigan Municipal League. The budget for this activity will (*decrease*) \$3,000 or 16.7%.
- Mayor – Mayor's Exchange activities will be funded by the Downtown Development Authority this fiscal year. The budget for this activity will (*decrease*) \$2,500 or 55.6%.
- Forestry – The budget for this activity will (*decrease*) \$4,979 or 24.2%.
- Public Safety, Fire Division – Based on the allocation of personnel costs the budget for this activity will (*decrease*) \$6,603 or 15.3%.
- Planning/Zoning - The Planning Commission will complete its comprehensive review of the City's Zoning Ordinance and the budget for this activity will (*decrease*) \$4,000 or 50.8%.

- Sidewalk Maintenance – Sidewalk repair and maintenance will be limited to critical areas of concern. The budget for this activity will (*decrease*) by \$4,878 or 33.6%.
- Parks & Recreation – The budget for this activity will (*decrease*) \$2,969 or 12.6%.
- Capital Projects – The budget for this activity will (*decrease*) by \$6,500 or 39.4%.
- Inter-Fund Transfers – The budget for this activity will increase by \$21,601 or 70%.

Based on projected gross revenue (from all sources) of \$1,303,625 and gross expenditures (including transfers and capital) of \$1,357,740 the General Fund will (*decrease*) its cash position by \$54,115. Based on approved operating expenditures of \$1,295,292 and operating revenues estimated at \$1,282,646 the projected operating loss is \$12,646.

Assuming a beginning cash position in fund balance of \$1,048,946 — the General Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$994,830. Consistent with the City Council's Fund Reserve Policy⁵, \$473,823 of the projected fund balance is reserved leaving \$521,007 available for discretionary appropriation by action of the City Council.

⁵ The City Council has designated an operating and contingency reserve for the General Fund in the amount equal to three months of the anticipated annual operating expenditures plus \$150,000 for contingencies.

Major Street Fund

Revenue and expenditures related to eligible maintenance and construction activities upon streets within the public rights-of-way designated as “Major” streets under Michigan Public Act 51 are accounted for in the Major Street Fund.

These maintenance activities are primarily funded with gas and weight tax collected by the State of Michigan and redistributed (by formula) to eligible public agencies. The distribution formula is based on population, street mileage, and functional classification.

The State Legislature establishes the funding formula and other guidelines related to a significant portion of the funding for maintenance and construction of state, county and local highway, road and street systems.

Presently, there are 6.52 miles of major streets within the City including — all or portions of Woodside, Borton, and Nebobish Avenues and Pine, Main, Saline, Mercer, Langstaff, Prairie, Hudson, and Scheurmann Streets.

Revenues - Major Street Fund revenue, from all categorical sources (including inter-fund transfers and investments) is projected to be \$157,368 — 1.7% less than the \$160,048 projected to be received in fiscal 2008/2009. Investment revenues are projected at \$1,231.

Expenditures - Major Street Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* to be \$148,277 — a (*decrease*) of 3.9% from *projected* fiscal 2008/2009 expenditures. This difference between the *approved* versus the *projected* operating expenditures reflects projected lower inflationary increases primarily in the cost of fuel and street maintenance materials.

The Department of Public Works’ maintenance work plan for the year is the framework for the allocation of expense related to major street activities. Staff attempts to budget overall street, utility, and general public works activities to the appropriate “cost centers” within the various activities and funds. Construction and major reconstruction of the street system is typically, but not always, accounted for in the Capital Projects Fund.

Consistent with the six-year Capital Improvement Program - covering fiscal years 2009/2010 to 2014/2015 — \$20,000 in capital expenditures has been budgeted for fiscal year 2009/2010. Capital expenditures include engineering costs related to the milling and resurfacing of Borton Avenue from Caroline to Scheurmann Street⁶.

⁶ The cost of the construction of the estimated \$300,000 project will be 100% funded through the American Recovery and Reinvestment Act of 2009 (federal stimulus program).

■ **Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:**

- Storm Drainage - The allocation of labor and materials for this activity is based on the annual work plan and compliance activities related to the City's stormwater discharge permit. The budget for this activity is will increase by \$6,586 or 30.1%.
- Maintenance - The allocation of labor and materials for this activity is based on the annual work plan. The budget for this activity will (*decrease*) by \$9,182 or 25.2%.
- Traffic Services - The allocation of labor and materials for this activity is based on the annual work plan. The budget for this activity will (*decrease*) by \$1,981 or 16.3%
- Capital Projects – Based on the Borton Avenue project receiving 100% federal funding for the construction costs only the engineering costs will be accounted for in this budget. The budget for this activity will (*decrease*) by \$340,000 or 94.4%.
- Inter-Fund Transfers Out – Based on a smaller transfer to the Local Street Fund, the budget for this activity will decrease by \$15,501 or 3.7%.

Based on gross revenue (from all sources) of \$157,368 and gross expenditures (including transfers and capital) of \$193,880 the Major Street Fund will (*decrease*) its cash position by \$36,512. However, with approved operating expenditures of \$148,277 and operating revenues estimated at \$156,138 the operating margin is \$7,861.

Assuming a beginning cash position in fund balance of \$61,530 — the Major Street Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$25,018. Consistent with the City Council's Fund Reserve Policy⁷, all of the fund balance will be available for discretionary appropriation by action of the City Council.

⁷ The City Council policy does not specify an operating or contingency reserve for the Major Street Fund at this time.

Local Street Fund

Revenue and expenditures related to eligible maintenance and construction activities upon streets within the public rights-of-way designated as “Local” streets under Michigan Public Act 51 are accounted for in the Local Street Fund.

These maintenance activities are primarily funded with gas and weight tax collected by the State of Michigan and redistributed (by formula) to eligible public agencies. The distribution formula is based on population, street mileage, and functional classification.

Presently, there are 11.22 miles of local streets in the City’s street system. Despite the local street mileage being almost twice the major street mileage, the Act 51 funding formula allocates significantly less money for local streets than for major streets. This results in a shortfall of revenue from this source to cover the annual maintenance of this part of the street system.

Generally, the Local Street Fund receives a transfer of funds from the Major Street Fund to cover the anticipated operating and maintenance expenses for the local street system.

Revenues - Local Street Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$83,485 — about the same as the \$83,493 that is projected to be received in fiscal 2008/2009. The Local Street Fund will receive a \$25,000 inter-fund transfer⁸ from the Major Street Fund. Investment revenue is projected to be \$1,847.

Expenditures - Local Street Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$116,210 — 42% more than *projected* fiscal 2008/2009 operating expenditures. There is no capital expenditure budgeted for fiscal 2009/2010. The Department of Public Works’ projected allocation of labor and materials by for fiscal year 2009/2010 accounts for the significant difference between the *approved* versus *projected* expenditures.

Allocation of expenses related to local street activities is based on the Department of Public Works’ maintenance work plan for the year. Staff attempts to budget overall street, utility, and general public works activities to the appropriate “cost centers” in the various activities and funds.

⁸ Transfers between the Major and Local Street Fund are permitted by law. These transfers are made periodically to cover the shortfall in state funding for Local Street system maintenance that the City receives from its share of gas and weight taxes that is distributed to eligible governmental agencies based on a formula set by the state legislature.

■ **Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:**

- Storm Drainage - The allocation of labor and materials for this activity is based on the annual work plan. The budget for this activity will (*decrease*) by \$2,683 or 11.6%.
- Maintenance - The allocation of labor and materials for this activity is based on the annual work plan. The budget for this activity will (*decrease*) by \$15,643 or 38.5%.
- Administrative - Based on the allocation of the administrative cost to support the Local Street Fund the budget for this activity will (*decrease*) by \$923 or 19.6%.
- Inter-Fund Transfers Out – The budget for this activity will (*decrease*) by \$76 or 11.1%.

Based on gross revenue (from all sources) of \$83,485 and gross expenditures (including transfers and capital) of \$116,819 the Local Street Fund will (*decrease*) its cash position by \$33,334. However, with approved operating expenditures of \$116,210 and operating revenues estimated at \$56,638 the Local Street Fund will have an operating deficit of \$59,572. The operating deficit will be made up with an inter-fund transfer from the Major Street Fund and fund balance.

Assuming a beginning cash position in fund balance of \$92,362 — the Local Street Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$59,028. Consistent with the City Council's Fund Reserve Policy⁹, all of the fund balance will be available for discretionary appropriation by action of the City Council.

⁹ The City Council policy does not specify an operating or contingency reserve for the Local Street Fund at this time.

Rubbish and Trash Fund

Revenue and expenditures related to the collection and disposal of residential and commercial rubbish, brush, leaves, and yard waste and recycling services are accounted for in the Rubbish and Trash Fund.

Residential and commercial properties within the City are assessed user fees, which finance rubbish, trash, yard waste and curb-side recycling services. Residential properties are charged a fixed quarterly fee¹⁰ for these services. Commercial properties pay a fee based on the level of service received.

The City Council approved a millage levy of .500 mills to fund brush and bulk trash pickup services in fiscal 2009/2010. The Department of Public Works provides the supplemental services that are outside of the City's general contract for waste collection services.

The City contracts with a private firm for rubbish collection, yard waste pickup, and recycling services. The Department of Public Works manages brush and bulk trash collection.

Revenues - Rubbish and Trash Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$296,843 — 8.1% less¹¹ than the \$322,971 projected to be received in fiscal 2008/2009. Investment revenue is projected to be \$857.

Expenditures - Rubbish and Trash Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$297,191 — a (*decrease*) of 2.8% from *projected* fiscal 2008/2009 operating expenditures. The lower *approved* versus *projected* expenses in Rubbish and Trash Fund operating expenditures reflects an anticipated reduction in the fuel adjustment costs and a slowing of general inflationary increases related to the service.

■ ***Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:***

- **Brush and Leaves** – The allocation of labor and materials for this activity is based on the annual work plan. The budget for this activity will increase \$2,399 or 10.5%.

¹⁰ The fee approved by the City Council and effective September 2008 is \$37.00 every three months.

¹¹ Based on projected revenue requirements for the Rubbish & Trash Fund, the millage to be levied in fiscal year 2009/2010 to cover brush collection and other solid waste services has been reduced to .5000 mills from the .9000 mills levied in fiscal year 2008/2009.

Based on gross revenue (from all sources) of \$296,843 and gross expenditures (including transfers and capital) of \$297,657 the Rubbish and Trash Fund will (*decrease*) its cash position by \$814. Based on approved operating expenditures of \$297,191 and operating revenues estimated at \$295,986, the operating deficit is expected to be \$1,205.

Assuming a beginning cash position in retained earnings of \$42,840 — the Rubbish and Trash Fund is projected to end fiscal 2009/2010 with a cash position in retained earnings of \$42,025. Consistent with the City Council's Fund Reserve Policy¹², all of the fund balance will be available for discretionary appropriation by action of the City Council.

¹² The City Council Reserve Policy no longer requires an operating expense reserve to be maintained in the Rubbish and Trash Fund.

Justice Training Fund

Revenue and expenditures related to eligible¹³ police training is accounted for in the Justice Training Fund.

The primary revenue source for the Justice Training Fund is an annual entitlement authorized under Act 302, public acts of 1982. This funding is derived from fines collected for civil infractions that are then redistributed to local law enforcement agencies based on the number of certified police officers in the department.

Revenues - Justice Training Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$2,701 — 15.4% more than the \$2,340 projected to be received in fiscal 2008/2009. Investment revenues are projected at \$201.

Expenditures - Justice Training Fund operating expenditures are *approved* at \$2,500 — 19.1% more than *projected* fiscal 2008/2009 operating expenditures.

Based on gross revenue (from all sources) of \$2,701 and gross expenditures of \$2,500 the Justice Training will increase its cash position by \$201. However, with approved operating expenditures of \$2,500 and operating revenues estimated at \$2,500 the operating margin will be even.

Assuming a beginning cash position in fund balance of \$10,031 — the Justice Training Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$10,232. Consistent with law, all of the fund balance must be reserved for eligible expenditures and training activities.

¹³ The Department of Public Safety provides ongoing police training for its public safety officers to maintain proficiency and as required by law. The Michigan Commission on Law Enforcement Standards (“MCOLES”) certifies training eligible to be paid with Act 302 funds.

Bond Debt Service Fund

Revenue and expenditures related to debt service for the issuance of general obligation bonds used to fund the construction of water, sewer, and storm drainage and related street improvements as approved by voters in August 1999 is accounted for in the Bond Debt Service Fund.

Revenues – Bond Debt Service Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$436,322. The City Council will levy 5.3665 mills in fiscal year 2009/2010 for debt service. Investment revenue is projected to be \$453.

Expenditures - Bond Debt Service Fund operating expenditures for all activities are *approved* at \$435,519.

Based on gross revenue (from all sources) of \$436,322 and gross expenditures of \$435,519 the Bond Debt Service Fund will increase its cash position by \$803.

Assuming a beginning cash position in fund balance of \$22,633 — the Bond Debt Service Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$23,436.

Capital Projects Fund

Revenue and expenditures related to major public infrastructure improvements are accounted for in the Capital Projects Fund.

The Fund acts as a revolving fund to account for revenue and expenditures necessary to construct major infrastructure projects.

Revenues - Capital Projects Fund revenues from all categorical sources (including inter-fund transfers and investments) is projected to be \$66¹⁴ — about the same projected to be received in fiscal 2008/2009.

Expenditures - Capital Projects Fund expenditures for all activities (excluding inter-fund transfers) are *approved* at \$0 — non change from *projected* fiscal 2008/2009 expenditures.

Based on gross revenue (from all sources) of \$66 and gross expenditures of \$0 the Capital Projects Fund will increase its cash position by \$66.

Assuming a beginning cash position in fund balance of \$3,277 — the Capital Projects Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$3,343. Consistent with voter approval of the bond issue the entire fund balance is reserved for construction of water, sewer, drainage, and related street improvements.

¹⁴ The bonds authorized by voters in 1999 have been sold and the proceeds collected. All but a minimal amount of the proceeds collected from the sale of the infrastructure bonds have been expended on authorized projects. The only revenue source for this revolving fund in fiscal 2009/2010 will be a small amount of investment income.

Inspections Fund

Revenue and expenditures related to protective inspections and zoning administration are accounted for in the Inspections Fund.

This fund was created pursuant to 1999 amendments to the State Construction Code Act (Act 230, Public Acts of 1972.) Revenues sources include building, electrical, plumbing, and mechanical permits and a transfer from the General Fund. The General Fund previously accounted for all revenue and expenses related to protective inspections and zoning administration.

Revenues Inspections Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$29,177 — a (*decrease*) of 2% from the \$29,788 that is projected to be received in fiscal 2008/2009. An inter-fund transfer from the General Fund is proposed at \$17,577. There is no investment revenue projected.

Expenditures Inspections Fund operating expenditures for all activities are *approved* at \$29,177— 2.4% less than *projected* fiscal 2008/2009 expenditures.

■ ***Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:***

- Plumbing Inspector – Based on historical trends the budget for this activity will increase by \$500 or 12.5%.

Based on gross revenue (from all sources) of \$29,177 and gross expenditures of \$29,077 the Inspections Fund will increase its cash position by \$100.

Assuming beginning cash position in retained earnings of \$818 — the Inspections Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$918.

Sewer Fund

Revenue and expenditures related to the operation and maintenance of the sewer collection system and the wastewater treatment plant. Operation, maintenance, and debt expense related to the treatment and collection systems is paid by utility rates assessed to residential, commercial, and industrial sewer customers are accounted for in the Sewer Fund.

The wastewater treatment plant discharges into the Saginaw River within the requirements set forth in its Federal National Pollution Discharge Elimination System (“NPDES”) permit. The sewer collection system is 65% combined — collecting both wastewater and storm water — that imposes further state and Federal restrictions on the City in managing its combined sewer overflows.

Revenues. Sewer Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$673,780 — 21.42% more¹⁵ than the \$554,925 that is projected to be received in fiscal 2008/2009. Investment revenue is projected to be \$4,570. Revenue estimates are based on a billed consumption of 100,000 hundred cubic feet (“CCF”) units.

Expenditures. Sewer Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$701,310 — an increase of 1.5% over *projected* for fiscal 2008/2009 operating expenditures.

The City will decommission the wastewater treatment plant (WWTP) by the end of 2010. Work on the project to convert the existing WWTP to a pump facility to transport the City’s wastewater to the West Bay County Regional WWTP for processing and treatment will begin in fiscal year 2009/2010. The project will be financed with a low interest loan from the United States Department of Agriculture.

Consistent with the six-year Capital Improvement Program - covering fiscal years 2009/2010 to 2014/2015 — \$10,000 in capital projects and purchases have been budgeted for fiscal 2009/2010.

■ ***Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:***

- Treatment Plant – Staffing has been reduced at the WWTP in anticipation of the decommissioning of the treatment works at the WWTP. The budget for this activity will (*decrease*) by \$54,368 or 13.1%.

¹⁵ The City Council approved a readiness to serve charge in June 2009 in the amount of \$7.00 per month per residential equivalency unit (REU) which will be applied to all utility bills beginning August 2009. Each residential property will be charged one REU. All other customers will be bill one REU for each 75,000 gallons of water used.

- Sewer System – The allocation of labor and materials for this activity is based on the annual work plan. The budget for this activity will (*decrease*) by \$13,937 or 22.5%.
- Insurance and Benefits – Based on a reduction in full time staff at the WWTP the budget for this activity will (*decrease*) by \$22,623 or 20%.

Based on gross revenue (from all sources) of \$673,780 and gross expenditures (including transfers, debt service, depreciation and capital) of \$712,708 the Sewer Fund will increase its cash position (factoring in the impact of partially funding depreciation expense) by \$26,072. However, with approved operating expenditures (including funded depreciation) of \$701,310 and operating revenues estimated at \$669,210; the operating margin is expected to be \$32,900.

Assuming beginning cash position in retained earnings of \$228,512 — the Sewer Fund is projected to end fiscal 2009/2010 with a cash position in retained earnings of \$254,584. Consistent with the City Council's Fund Reserve Policy¹⁶ all of the cash retained earnings will be designated as reserved.

¹⁶ The City Council has designated an operating and contingency reserve for the Sewer Fund in the amount equal to three months of the anticipated annual operating expenditures plus \$150,000 for contingencies.

Water Fund

Revenue and expenditures related to meter reading, utility billing, purchase of water and maintenance and operation of the distribution system are accounted for in the Water Fund. Operation and maintenance expense related to the water system is paid by utility rates assessed to residential, commercial, and industrial water customers. In addition to consumption charges, water customers pay a quarterly “meter charge” based on the size of the water meter that is used to fund meter replacement and maintenance.

The City purchases its water supply from the City of Bay City. Presently, the City’s water distribution system is connected to Bay City’s distribution system at the west city limits and to Hampton Township’s system at the east city limits. The per unit charge to the City for the purchase of water — and to all other governmental units in the Bay City System — is adjusted annually following an audited “true-up” process.

Under a separate agreement with Hampton Township, Essexville pays the township an annual ready-to-serve charge and water tower maintenance charge for its connection to the township’s water system.

Revenues. Water Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$515,637 — 7.6% more than is projected to be received in fiscal 2008/2009. Investment revenue is projected to be \$3,037.

Revenue estimates are based on a billed consumption of 120,000 hundred cubic feet (“CCF”) units.

Expenditures. Water Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$526,456 — an increase of 8% from *projected* fiscal 2008/2009 operating expenditures. The difference in *approved* versus *projected* Water Fund expenditures is due to the anticipated increase in the wholesale cost of water and inflationary increases in energy, services and supplies.

Consistent with the six-year Capital Improvement Program - covering fiscal years 2009/2010 to 2014/2015 — \$10,000 in capital projects and purchases have been budgeted for fiscal 2009/2010. Proposed projects include residential meter and fire hydrant replacement.

■ **Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:**

- Capital Projects - Water system improvements will be limited to residential meter and system hydrant replacement. The budget for this activity will (*decrease*) \$10,000 or 50.0%.

Based on gross revenue (from all sources) of \$515,637 and gross expenditures (including transfers, depreciation and capital) of \$537,807 the Water Fund will (*decrease*) its cash position (factoring in the impact of partially funding depreciation expense) by \$7,169. However, with approved operating expenditures (including funded depreciation) of \$526,456 and operating revenues (excluding investment revenue) estimated at \$512,600 the operating margin is projected to be \$1,144.

Assuming beginning cash position in retained earnings of \$151,860 — the Water Fund is projected to end fiscal 2009/2010 with a cash position in retained earnings of \$144,691. Consistent with the City Council's Fund Reserve Policy¹⁷ all of the cash retained earnings will be designated as reserved.

¹⁷ The City Council has designated an operating and contingency reserve for the Water Fund in the amount equal to three months of the anticipated annual operating expenditures plus \$50,000 for contingencies.

Motor Vehicle & Equipment Fund

Revenue and expenditures related to the operation, maintenance, and replacement of city-owned vehicles and equipment are accounted for in the Motor Vehicle & Equipment Fund.

Equipment rental charges paid by the various operating departments pay the operation, maintenance, and capital cost of the City's vehicles and equipment. Rental charges are based on the state "Schedule C" which uses the actual operation, maintenance, and depreciation costs reported by Michigan's 83 County Road Commissions for various types of vehicles and equipment. The City is required to use this schedule for equipment rental charges allocated to the Major and Local Street Funds. However, the schedule is used to determine rental rates for other operating departments and activities with appropriate adjustments made based on the City's actual experience.

The Motor Vehicle & Equipment Fund owns all large vehicles and equipment for the purpose of centralized maintenance and purchasing.

Revenues. Motor Vehicle and Equipment Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$235,390 — an increase of 26.7% from operating revenues projected to be received in fiscal 2008/2009. Investment revenue is projected to be \$279.

Expenditures. Motor Vehicle and Equipment Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$209,235 — an increase of 7% from *projected* fiscal 2008/2009 operating expenditures. The difference in *approved* versus *projected* expenditures reflects operational changes in the motor pool.

Consistent with the six-year Capital Improvement Program - covering fiscal years 2009/2010 to 2014/2015 — \$24,500 has been budgeted for fiscal 2009/2010 for the purchase of a replacement patrol vehicle for the Department of Public Safety.

■ ***Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:***

- There are no activities that exceed the threshold for reporting changes in expenditures.

Based on gross revenue (from all sources) of \$235,390 and gross expenditures (including transfers, depreciation and capital) of \$234,244 the Motor Vehicle and Equipment Fund will increase its cash position by \$1,146. However, with approved operating expenditures of \$209,235 and operating revenues (excluding investment revenue and sale of surplus equipment) estimated at \$235,110 the expected operating margin is \$25,875.

Assuming beginning cash position in retained earnings of \$18,629 — the Motor Vehicle and Equipment Fund is projected to end fiscal 2009/2010 with a cash position in retained earnings of \$19,775. Consistent with the City Council's Fund Reserve Policy¹⁸, all of the cash portion of the projected retained earnings will be available for discretionary appropriation by action of the City Council.

¹⁸ The City Council has not designated an operating or contingency reserve for the Motor Vehicle and Equipment Fund.

Fringe Benefit Fund

Revenue and expenditures related to accumulated fringe benefits that may be due to an employee at the time of severance or retirement are accounted for in the Fringe Benefit Fund.

Transfers from the major operating funds of the City are used to finance the Fringe Benefit Fund.

Revenues. Fringe Benefit Fund revenue from all categorical sources (including inter-fund transfers and investments) is projected to be \$16,318 — an increase of 27.3% from revenues and transfers projected to be received in fiscal 2008/2009. The increase in projected revenue is due to an increase in inter-fund transfers that are projected to be required to fund future vacation and leave liability¹⁹. Investment revenue is projected to be \$1,512.

Expenditures. 2009/2010 Fringe Benefit Fund expenditures are *approved* at \$15,935 — an increase of 50% from *projected* fiscal 2008/2009 expenditures. The *approved* versus *projected* increase is primarily due to an anticipated retirement and the estimate of general leave payout in fiscal year 2009/2010.

Based on gross revenue (from all sources) of \$16,318 and gross expenditures of \$15,935 the Fringe Benefit Fund will increase its cash position by \$383.

Assuming a beginning cash position in fund balance of \$75,595 — the Fringe Benefit Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$75,978. Consistent with the City Council's Fund Reserve Policy, all of the projected fund balance will be reserved to fund future liability for fringe benefit severance payments.

¹⁹ The amount budgeted to be transferred each year assumes all employees will cash out the maximum allowable amount of unused annual sick leave.

Downtown Development Fund

Revenue and expenditures related to administration, planning, and construction of Downtown Development Authority (“DDA”) projects and improvements and other activities are accounted for in the Downtown Development Fund.

The City Council established the DDA under the authority of Act 197, Public Acts of 1975. The Essexville Downtown Development Authority manages development activity and promotes economic growth within the DDA District. A nine-member board consisting of the City Manager and eight other members governs the DDA.

The primary revenue source for the DDA Fund is a property tax levy. The DDA tax levy “captures” the growth²⁰ in personal and real property value within the DDA district boundaries.

The DDA Board also serves as the executive board for the City’s Brownfield Redevelopment Authority (“BRA”). The BRA is charged with planning and implementing development on properties in the City having contamination above acceptable limits for residential development.

Revenues. Downtown Development Fund revenue from all categorical sources (including grants, inter-fund transfers, and investments) is projected to be \$104,391 — a (*decrease*) of 1.5% from the \$105,923 projected to be received in fiscal 2008/2009. Investment revenue is projected to be \$3,620. The City Council approved a continuation of the one mil tax levy within the DDA District as recommended by the DDA Board and as permitted by law²¹.

Expenditures. Downtown Development Fund operating expenditures for all activities (excluding capital expenditures and inter-fund transfers) are *approved* at \$94,398 — an increase of 27.5% from operating expenditures projected for fiscal 2008/2009. The difference in *approved* versus *projected* expenditures reflects the cost of additional consulting services and debt service.

Consistent with the six-year Capital Improvement Program - covering fiscal years 2009/2010 to 2014/2015 — \$40,000 for capital projects has been budgeted for fiscal 2009/2010.

²⁰ The tax capture is based on growth in real and personal property above the total value of properties in the DDA District as of the 1989 tax year.

²¹ Under Public Act 197 of 1975 [M.S.A. 5.3010(12)] with approval of the governing body the DDA may levy a tax of up to 2 mills on property located within the District

■ **Highlights of activity level expenditures approved for FY 2009/2010 which vary more than 10% and/or \$10,000 compared to the FY 2008/2009 budget:**

- Administrative – Based on the allocation of the administrative cost to support the Downtown Development Fund the budget for this activity will increase by \$9,584 or 42.9%.
- Community Relations – The budget for this activity will increase \$3,000 or 20.2%.
- Capital Projects - The budget for this activity will (*decrease*) \$10,000 or 20%.

Based on gross revenue (from all sources) of \$104,391 and gross expenditures (including transfers and capital) of \$134,398 the Downtown Development Fund will (*decrease*) its cash position by \$30,007. However, with approved operating expenditures of \$94,398 and operating revenues (excluding investment income and grants) estimated at \$100,771 the operating margin is \$6,373.

Assuming a beginning cash position in fund balance of \$181,008 — the Downtown Development Authority Fund is projected to end fiscal 2009/2010 with a cash position in fund balance of \$151,001. Consistent with the City Council's Fund Reserve Policy, all of the projected fund balance will be available for discretionary appropriation by the DDA Board subject to approval by the City Council.