



### **Fiscal Year 2011/2012 Budget Narrative:**

The difficult circumstances of local government finance in the State of Michigan continue and, like most local governments in the State, the City of Grandville once again this year faces the significant challenge of maintaining the services required and expected by Grandville residents and businesses during a period when the financial resources to provide those services are shrinking. These resources primarily include the revenue derived from property taxes and from the State of Michigan.

On the property tax side, Grandville property values in 2011 will experience their third straight year of decline. On the State revenue side, the reduction has been much more prolonged – a steady decline since 2002.

Against this backdrop, the following financial plan for the fiscal year beginning July 1, 2011 and ending on June 30, 2012 has been prepared. It is based on a millage rate of 9.154 mills and covers a projected General Fund deficit of \$395,436 through use of available undesignated fund balance. The total appropriation recommended for all funds, excluding transfers between funds and the use of designated reserves, is \$21,959,462. The sections that follow contain an overview of select programs and their proposed budgets:

### **General Fund**

General Fund revenues, minus transfers from designated reserves, are projected to total \$8,357,220 which is 3.8% *less* than budgeted General Fund Revenues for the current fiscal year. Our two primary sources of revenue are property taxes and state shared revenue (82% of all revenue). In the past three years, the City of Grandville has experienced a 10% decline in property tax values. In the past nine years, the State of Michigan reduced promised shared revenue to the City by 35%.

The General Fund provides a wide array of city services including police, fire, district court, parks and recreation, cemetery, general administration and others. General Fund expenditures are budgeted at \$8,752,656, not including the budgeted capital expenditures of \$61,400 using designated reserves. This is an increase \$7,296 from budgeted expenditures in the current fiscal year. Cuts in the FY 2011-12 budget include leaving vacant one full time Firefighter/EMS position, one full time position reduced to part time in the Probation Department and pay freezes along with requiring health care contributions from union employees. (Note: Non-union employees pay was frozen and employee health insurance premium contributions were required in the current budget year.). The projected deficit of

\$395,436 (assuming full expenditure of all General Fund line items) will be covered by utilization of available fund balance, if necessary.

### **Police Department**

Police Department budgeted expenditures total \$3,134,291 minus the budgeted expenditure of reserve funds, or approximately 35.8% of total city General Fund expenditures. There is an additional budgeted expenditure of \$61,400, for the purchase of small capital items that will be funded by Drug Forfeiture Reserves. The Police Department provides a full range of law enforcement services including a Detective Bureau, narcotics enforcement and a full-time Police School Liaison Officer jointly funded by the City and the Grandville Public School District. Authorized departmental strength this year is 24 full-time officers and two full-time and one part-time civilian.

### **Fire Department**

Fire and 24 hour emergency medical response budgeted expenditures total \$913,578 or approximately 10.4% of total city General Fund expenditures. The Fire Department has reduced its staffing level by one full time position in this fiscal year.

### **Parks and Recreation**

Budgeted Park and Recreation capital projects include repair and resurfacing of tennis courts at Calvin Crest Park. Also, a small amount was included for tree planting in City parks. An update of the required Park & Recreation Master Plan is budgeted for \$10,000.

### **Special Projects**

The 2011-2012 budget contains funding to continue city involvement in such programs as the Senior Neighbor Recreation Program, Grand Valley Metropolitan Council, REGIS, Michigan Municipal League, Right Place Program, Community Access television, the Historical Commission and the Grandville/Jenison Chamber of Commerce.

### **Major and Local Streets**

Primary activity in the Major and Local Street Funds continues to emphasize the improvements necessary to maintain the integrity of Grandville's street system.

Three Major Streets projects are budgeted for this year including resurfacing of the public portion of the Mall Ring Road from Potomac to Century Center, Rivertown Parkway from I-196 to Wilson, and Chicago Drive from Wilson to Canal.

Two local streets will be reconstructed or resurfaced next fiscal year: Earle and Iris. Two other local streets, Franklin (between Prairie and Maple) and 40<sup>th</sup> Street (between Wilson and Mohawk) will be resurfaced in conjunction with water main replacement projects scheduled for those locations.

## **Clean Water & Water Systems**

The City's Clean Water System budget is comprised of three departments:

- The Clean Water System Collection Department is used to account for operations directly related to the City of Grandville and supported solely by City residents.
- The Clean Water System Operations Department is the primary operating fund for the Clean Water System and is supported proportionally by Ottawa County users of the system.
- Clean Water System Improvement and Extension Department is used to fund Capital improvements, debt retirement, interest expense, and depreciation reserves.

The total expense budgeted for the Clean Water System Fund is \$5,865,673. The budget includes the interest on the Renovation Bond issued last year and also includes an increase of approximately 8% from Wyoming for the sanitary sewer flow diverted to them for treatment.

A comprehensive utility rate study is completed annually and this year's study showed a need to increase the Sanitary Sewer commodity charge from \$2.74 to \$2.88 per thousand gallons in order to meet our bond covenant and pay for the additional charges from Wyoming. The Ready-to-serve charges are recommended to remain unchanged.

The Water system is comprised of two departments:

- The Water Operations Department is used to account for regular operations
- The Water Improvement & Extension Department accounts for long-term capital improvements, debt retirement, interest expense and depreciation reserves.

The total expense budgeted for the Water Fund is \$2,333,042 and includes a budgeted expenditure of \$200,000 for water main construction on 40<sup>th</sup> from Wilson to Mohawk and \$70,000 on Franklin from Maple to Prairie.

The same annual comprehensive rate study completed for sewer rates is used to determine water rates. The result of this year's study showed the commodity charge per thousand gallons needs to be increased from \$1.89 to \$1.99 per thousand gallons and the Ready-to-Serve charge for the 5/8" meter needs to be increased from \$7.51 to \$8.76 per quarter with larger meters adjusted accordingly.

The commodity charge is used to pay for the operations of the water system. The City of Grandville purchases water from the City of Wyoming and over the last 3 years the cost from Wyoming has increased by almost 20%. During this time the City absorbed the increase by using additional fund balance, but no longer has the extra to apply to operations and the cost will need to be paid by the users of the system.

The Ready-to-Serve charges are used to maintain the water main infrastructure in the City. The City has been replacing and repairing the water mains as recommended. Due to the rising cost of construction, the City needs to increase the Ready-to-Serve charges to cover the cost.

### **Summary**

The Fiscal Year 2011-2012 Financial Plan for the City of Grandville is a product of months of considerable effort by many individuals beginning with the input and analysis of staff members at all levels of the organization and continuing through the final decisions of a City Council that values strategic planning and is committed to our community's quality of life and efficient stewardship of public funds. Appreciation is extended to all involved in this important process with special recognition to Finance Director Tammy Hopman for her daily stewardship of City finances and her invaluable analysis and leadership in the development of the FY 2011-12 budget.

Respectfully Submitted,

Kenneth D. Krombeen  
City Manager