



Fiscal Year 2012/2013 Budget Narrative:

The start of the 2012-13 fiscal year marks the completion of a full decade of stress on the budgets of the City of Grandville and on most local units of government in the State of Michigan. The list of fiscal obstacles is long and includes a series of cuts to shared revenue from the State of Michigan that began in 2000, shrinking tax revenues due to decreasing property values and unavoidable expenses in the form of required compliance with additional state and federal mandates, among others. Despite some recent improvement in the economic climate as evidenced by a lower unemployment rate and slight uptick in state tax collections, it appears the challenges to the City's budget are not yet over: property values in Kent County dropped for the fourth consecutive year in 2012 and the state legislature is currently weighing elimination of the personal property tax on commercial and industrial equipment that could further reduce revenues to local government if replacement revenue is not guaranteed.

The City has done much to combat these obstacles. Expenses have been trimmed, staffing has been reduced, benefits have been adjusted, pay freezes have occurred. The hard evidence of the effectiveness of these changes is that the City continues providing quality local services while maintaining a low property tax millage rate, a healthy and reasonable fund balance and a superior credit rating despite the long revenue squeeze.

The following financial plan for the fiscal year beginning July 1, 2012 and ending on June 30, 2013 has been prepared. It is based on a millage rate of 9.154 mills and covers a projected General Fund deficit of \$829,080 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 \$20,850,779. 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 \$8,272,037 which is \$81,083 *less* than budgeted General Fund Revenues for the current fiscal year and a little over \$400,000 less than five years ago. Our two primary sources of revenue are property taxes and state shared revenue (78% of all revenue). In the past four years, the City of Grandville has experienced an 11% decline in property tax values. Even with a projected 2% increase in State Constitutional Revenue Sharing the amount projected for the next fiscal year will be approximately \$470,000 less than 10 years ago.

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 \$9,101,117, not including the budgeted capital expenditures of \$65,500 using designated reserves. This is an increase \$348,461 from budgeted expenditures in the current fiscal year. Fire building repair, increased pension costs and a projected large increase in healthcare premiums are the main contributing factors for this increase. The projected deficit of \$829,080 (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 \$3,220,569 minus the budgeted expenditure of reserve funds, or approximately 35.3% of total city General Fund expenditures. There is an additional budgeted expenditure of \$65,500, for the purchase of 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 remains at 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 \$1,026,136 or approximately 11.6% of total city General Fund expenditures. Capital expenditures of \$108,000 include turn out gear, heavy rescue tools and fire building repair. The Fire Department will be reducing the single administrative support position from full time to part time and will be filling a full time Firefighter/EMT position that has been vacant for a year. The net is a departmental increase of 0.5 FTE but this cost will be offset in part by reduced departmental expenditures of overtime and call in pay.

Parks and Recreation

Budgeted Park and Recreation capital projects include trail maintenance and a contribution to the Parks and Recreation Board for a "Pickle Ball" court. Also, a small amount was included for tree planting in City parks.

Special Projects

The 2012-2013 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, WCET 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.

Two Major Streets projects are budgeted for this year, including resurfacing of Rivertown Parkway from I-196 to Wilson and Chicago Drive from Ottawa to Pine. Also included in the budget is the M-11 (28th Street)/ Ivanrest pedestrian overpass removal in conjunction with a State of Michigan project at the intersection and a reserve amount for the Buck Creek Trail Crossing.

Three local streets will be reconstructed or resurfaced next fiscal year: Lucaya Court, Pueblo Court and a portion of Vermont. Two other local streets will have an ultrathin overlay: Basswood (Timberlane to Willow Creek) and 40th Street (Piute to Eagle Rock).

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 \$4,761,035. The Clean Water Plant Expansion/Renovation project is scheduled for substantial completion in August. The completion of this project will allow all sewer flow to be treated at the Grandville Clean Water Plant without any diversion to the Wyoming Clean Water Plant. Therefore, we have budgeted for only 2 months of flow to be diverted to Wyoming.

A comprehensive utility rate study is completed annually and the recommendation is to maintain the Commodity and the Ready-to-Serve charges at the current rate. Next year the rate study for sewer will be based on the costs of operating the newly renovated and expanded Clean Water Plant treating all of the flow without the use of the Wyoming diversion.

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 \$2,163,052 and includes a budgeted expenditure of \$25,000 for water main replacement at the 28th Street/Ivanrest Intersection in conjunction with the MDOT project on M-11.

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 \$1.99 to \$2.11 per thousand gallons and the Ready-to-Serve charge for the 5/8" meter needs to be increased from \$8.76 to \$10.76 per quarter with larger meters adjusted accordingly.

The commodity charge is used to pay for the operations of the water system. For the last few years there has been a large reduction in water usage. The billing in 2008 was approximately 100 million gallons more than the billing in 2011. The fixed cost of providing water to our customers is not reduced with lower usage, but the revenue is greatly reduced.

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 2012-2013 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 diligent stewardship of City finances and her leadership in the development of the FY 2012-13 budget.

Respectfully Submitted,

Kenneth D. Krombeen
City Manager