

**DRAFT BUDGET
VILLAGE OF ELK RAPIDS, MI.
FISCAL YEAR 2013 - 2014
ADOPTED 2-04-2013**

INDEX

PAGE

COVER PAGE.....	1
INDEX.....	2
BUDGET SUMMARY.....	3
GENERAL FUND (101).....	6
GENERAL CAPITAL (401).....	6
MUNICIPAL STREET FUND (204).....	7
MAJOR STREET FUND (202).....	7
LOCAL STREET FUND (203).....	7
BRIDGE STREET BOND (394).....	8
RIVER STREET BOND (398).....	8
WASTE COLLECTION FUND (228).....	8
BUILDING OPERATION & REPLACEMENT (296).....	8
WATER OPERATING FUND (595).....	8
RIVER CROSSING DEBT RETIREMENT FUND (301).....	9
WATER CAPITAL FUND (409).....	9
SEWER OPERATING FUND (590).....	9
SEWER EQUIPMENT FUND (592).....	9
SEWER CAPITAL FUND (405).....	10
HAROR ENTERPRISE FUND (594).....	10
HARBOR CAPITAL FUND (407).....	11
HARBOR CONSTRUCTION FUND (794).....	11
HARBOR DEBT FUND (795).....	11
MOTOR VEHICLE FUND (661).....	11
DOWNTOWN DEVELOPMENT AUTHORITY WEST (790).....	12
DOWNTOWN DEVELOPMENT AUTHORITY EAST (791).....	12

Budget Summary 2013-2014 (Proposed Budget)

To: Village Council and Citizens of Elk Rapids,
 Re: Budget Message 2013 - 2014

Please find attached the proposed budget for the fiscal year March 1, 2013, through February 28, 2014. The budget is divided into two separate sections.

The **first section** (this section) contains supporting documentation from the manager, staff and commissions.

The **second section** of the budget is our official computer generated budget. This section reveals line item revenues and expenses as well as prior year's revenues and expenditures. 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 Fund	<u>216</u> Activity General Service Administration	<u>700</u> Account 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.

Proposed millage rate: 2012-2013 versus proposed 2013-2014

Service/Assessment	12-13 Rate	13-14 Rate
Ad Valorem Tax	7.4950	7.3805
Waste Tax	.9558	.9200
Street Tax	3.1002	3.1554
Debt	.4635	.4441
Total	12.0145	11.9000

(Proposed millage rate of 11.850 as discussed at the budget work session was increased to 11.9000 at a meeting of Manager Price and President Reszka to support budgeted transfers to General Capital. The transfers to General Fund from the street, water, sewer, harbor, waste and motor pool funds were also increased by \$500 each to provide needed revenues in the General Fund.)

NOTE ON TAXABLE VALUE: Taxable value projected for the Village of Elk Rapids is \$106,670,000, about a .70% 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 which time, council will 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 2013-2014

Water Capital	\$8.70 (flat rate, no change)
Water Rate	\$8.80 (flat rate, no change) \$1.16/1,000 gallons (usage inc. of .04/1000 gal. as of 3/1/13)
Sewer Rate	\$23.00/month (flat rate inc. of \$2.00 capital fee as of 3/1/13) \$2.75/1000 gallons (usage inc. of .53/1000 gal. as of 3/1/13 to capital improvement) \$1.25/1000 Eq. Replacement Cost (inc. of .53/1000 gal.)

Note: The sewer rate increases have come about to begin funding for the Wastewater Treatment Plant Project. Projected balances at the end of fiscal year 2013-2014 for Sewer Cap, #405, and Sewer Op, #590, are \$45,340 and \$106,785 respectively, for a grand total of \$152,125 to apply to the WWTP project funding.

General Note: Based on changes that have occurred during the past fiscal year, including a new managerial approach of a Manager/Clerk, Assistant Manager and Deputy Clerk along with several changes in the Department of Public Works, the amount of wages dedicated to particular funds has been revised slightly.

Capital projects, major maintenance and special costs proposed are:

GENERAL FUND (101)

\$3,500 River St. median redesign
 \$35,472 debt Chippewa prop.
 \$10,000 reserved for Zoning Code
 \$ 6,000 reserved for park tables
 Tax revenues down approx. \$5500
 (Green ER budget comes out of Waste)

CAPITAL FUND (401)

\$45,000 for sidewalks/improvements
 \$38,000 police vehicle
 \$15,000 park lights
 \$12,500 library roof replacement
 \$2,500 VMP bathroom repairs

LOCAL STREET (203)

\$51,000 Fourth Street project (combined with water line replacement)

MUNICIPAL STREET (204)

Approx. \$10,000 credit from Consumers Energy, after street light survey was taken, for over-billing in past years will reduce the street lighting expense.

SEWER CAPITAL (405)

\$45,000 engineering for WWTP (Grant)
\$20,900 radio telem. Syst. - lift stations

SEWER EQUIPMENT (592)

\$25,000 Birch Lake grinder pumps
\$8,510 lift station #14 valve at plant
\$12,000 lift station #4 pumps
\$7,500 time mark controller
\$873 ferric transfer pump

WATER CAPITAL (409)

\$80,000 Fourth St. water main replacement
\$15,000 auto read lawn meters
\$5,000 water tower cleaning

HARBOR CAPITAL (407)

\$40,000 fuel pumps
\$15,000 safety ladders

HAROR CONST. (794)

\$40,000 bathhouse roof
\$175,000 dredging
\$27,500 sidewalk & fence – Dexter St. prop.

MOTOR POOL (661)

\$15,000 Gator
\$6,000 lawn mower
\$5,850 sweeper/broom for trackless
\$118,808 repay debt for trackless

DDA

\$20,000 economic development services
\$10,000 publications/promotions

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 month. 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 cash reserve drops 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 and rental of the Third Street parcel. New this year is a monthly penalty payment from Speedway related to on-going contamination clean-up.

Street Funds

The Village of Elk Rapids budget consists of six street funds; they are 204 Municipal Street Fund, 202 Major Street Fund, 203 Local Street Fund, 498 River Street Capital Improvement and 394 Bridge 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, (reduction in energy cost due to credit for past over-billings), 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. 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. 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 repave Fourth Street after a water main improvement project. Elk Rapids Township is providing at least \$40,000 from a road millage to help fund this street improvement.

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. See also attachment Debt Retirement Schedule.

398 River Street Bond Debt.

This fund collects money from Municipal Street and Water Capital to pay for River Street Debt.

Waste Collection Fund (228)

This fund is a self-balancing account, which is used to account for tax dollars which are used 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 consists of three water funds: 595 Water Operating Fund, 301 River Crossing Debt Retirement, and 409 Water Capital Fund. 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 can be transferred to the other two water funds to help pay for debt or improvements, in the case of the Water Debt Fund or the Capital Fund. A slight increase in water usage fee (\$.04/1000 gallons used) will be in effect as of March 1, 2013. There are no out of the ordinary expenses this year.

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. See attached "Debt Retirement Schedule."

409 Water 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 fee placed on the water bill. It will be expensed out as the need arises to replace existing water infrastructure or for building new water facilities. A project is scheduled this year to replace water line under U.S. 31 and Fourth Street. Some of these revenues can be transferred to the Debt Fund. Money is received from benefit charges and the monthly \$8.70 capital charge. In addition, water tower rental receipts go into this fund.

Sewer Funds

The Village of Elk Rapids budget consists of three sewer funds: 405 Sewer Capital Fund, 590 Sewer Operating Fund and 592 Sewer Equipment 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 can be transferred to the other two sewer funds to help pay for debt or improvements.

Our rates as of March 1, 2013 are \$23.00 flat monthly fee per customer and \$2.75/1,000 gallons used. These recently approved increases are necessary as we begin to plan for the replacement of our ailing wastewater treatment facility. One major expense is the loan repayment to fund 592 for the building of the Government Center.

592 Sewer Equipment Fund:

This fund was created for the purposed of collecting \$.72/1000 gallons on each sewer bill. As of March 1, 2013, the fee will increase to \$1.25/1000 gallons used and is

necessary to help replenish the fund balance due to major expenses at the wastewater treatment plant in the past two years. The money is used as a depreciation account to fund major equipment replacement at the sewer treatment facility. Gosling Czubak created an amortization schedule on the majority of equipment and the process was approved by the Department of Environmental Quality. The list is reviewed each year and adjustments made to upgrade the treatment plant infrastructure. We are presently updating this list.

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 of the increases in flat (\$31,320 per year) and usage (\$25,440 per year) fees from Sewer Operation. It will be expensed out as the need arises to replace existing sewer infrastructure or for building the new sewer facility. Some of these revenues can be transferred to the Debt Fund.

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. Lower harbor fees increased slightly in 2013 while the Upper Harbor fees stayed the same.

Expenses are typical this year. This fund will transfer \$20,000 to fund 407 and \$218,460 to fund 795 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 based on the five-year plan 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 2013, new fuel pumps will be purchased along with safety ladders.

794 Harbor Construction:

As of this date, the budgeted items are major dredging of the mouth of the harbor, replacement of the bathhouse roof, and sidewalk and fencing on the Dexter Street property.

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 used 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, Refuse Fund, Waster 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 amounts will be automatically transferred over the course of the year. We intend to purchase a Gator, lawn mower, and sweeper/broom for the trackless this year. The debt for the trackless machine purchased last year will be paid off this year.

Downtown Development Authority

The Village of Elk Rapids presently has two Downtown Development Authority Funds - D.D.A. West (790), and D.D.A. East (791). The DDA West expired in fiscal year 2008-2009, but still has a small fund balance. The new DDA (formerly DDA East) 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

D.D.A. projects are generated through the Tax Increment Finance Districts. Authorities may also tax themselves up to and including 2 mills.

790 Downtown Development Authority West

This fund is no longer collecting any tax revenues. (The DDA had its boundaries amended and a new Tax Increment Finance District implemented in 2011. The base year for the new TIF is December 2010. It is not known yet if this district will see any revenues in 2013. When the tax base does increase it will not automatically include any tax collection from millage levied by Antrim County.)

791 Downtown Development Authority East

TIF is not yet known for 2013. Estimates have been made for budgeting purposes. The East side will continue, at least temporarily, the EDC funding and provide revenue for administrative costs. In addition, this district will reimburse revenues that are collected over Attachment 16 of the east side plan. (The DDA had its boundaries amended and a new Tax Increment Finance District implemented in 2011. The base year for the new TIF is December 2010. It is not known yet if this district will see any revenues in 2013. When the tax base does increase it will not automatically include any tax collection from millage levied by Antrim County.)

Attachments:

Debt Retirement Schedule,