



# FY 2021-2022 Budget

## Budget Book Now On-line



### FINANCIALS

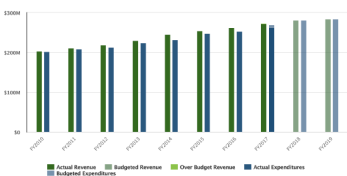


#### General Fund

This fund is used to record all resource inflows and outflows that are not associated with special purpose funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of the government entity.

#### Summary

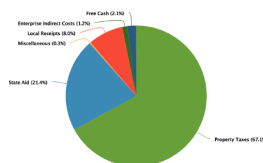
The City of Farmington is projecting \$28M of revenue in 2020, which represents a 2.5% increase over the prior year. Property Taxes are projected to generate 67.1% of its funding. State Aid would account for the next largest source of funding of \$50.9M or 21.4% of revenues.



#### Revenues

The General Fund is the primary operating fund for City revenues and expenditures. The estimate used for the FY20 operating budget is \$296,400,004. This is an increase of \$142 million or 4%. The State Aid amounts are based on the House budget. Local receipts are estimated figures based on the last three years' experience in actual revenue. Enterprise indirect, the overhead charged against the Utility Enterprise Fund is a 4% increase over FY19. Free Cash is used to fund the Capital Substitution Fund, Substitution Fund, O&M Trust contribution and a portion of the increase in the Denison Fund appropriation. Finally, this estimate relies on a 2.5% base tax rate increase and \$127 million in new taxes from development. There is no free cash allocated to offset the levy. The use of free cash in this manner creates instability in basic revenue and inconsistency in tax bills to residents. There is no revenue from marijuana businesses included in this revenue. The marijuana funds, capped at 3% of business revenue, and the 3% sales tax will not be substantial until the retail businesses are underway. The breakdown of the General Fund Revenue amount is illustrated in the pie chart below.

#### Projected 2020 Revenues by Source



Historically, the City was very dependent on property taxes as a source of revenue. In 2009 the state created local market based and increased the local income tax to bring some relief to the reliance on property taxes. This was helpful in that it generates about \$1.5 million in additional revenue. Our State legislators, led by Senator Spolka, corrected the inequity that existed with Farmington and Chapter 70 target aid.

As a result of that work, chapter 70 aid has increased \$22 million or 79% since FY11, allowing us to reduce reliance on property taxes as seen in the graph below. However, now that we have reached the Chapter 70 education aid target, we expect to see a incremental increase in aid, as reflected in the pattern of the source bar in the graph below.

## 2020-2021 Budget Review

- 2020-2021 Budget adopted at the onset of COVID Pandemic.
  - Many unknowns and the City adopted a budget with assumptions erring to the side of caution and anticipated using \$460,000 of the General Fund's Fund Balance.
- It is projected General Fund will end this fiscal year adding about \$269,000 to Fund Balance, increasing it to \$3,160,700 equaling 26.5%.
- Amended Budget will still be conservative given recent transition in management staff.

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## COVID-19 Impact

### GENERAL FUND

- State Revenue Sharing was in line with original budget.
- City received \$416,000 in CARES Funding off-setting many of COVID related expenses.
- Variable expenses such as those related to the Parks & Recreation were held in line by not filling assorted seasonal positions.

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## 2021-2022 Budget Highlights

- Total budget represents 12 different funds totaling \$24.4 million.
- Total capital expenditures across all funds totaling \$3.8 million.
- Payroll (budgeted) includes 70 full-time and 10 part-time positions with a total salary budget of \$8.1 million

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## Ongoing General Fund Operating Budget

	2019/2020 ACTUAL	2020/2021 ORIGINAL	2020/2021 AMENDED	2020/2021 PROJECTED	2021/2022 RECOMMENDED
TOTAL REVENUES	\$ 11,698,529	\$ 12,329,800	\$ 12,505,800	\$ 12,284,243	\$ 12,485,100
TOTAL EXPENDITURES	10,578,184	11,789,800	11,700,600	11,014,711	11,749,800
REVENUES OVER (UNDER) EXPENDITURES	\$ 1,120,345	\$ 540,000	\$ 805,200	\$ 1,269,532	\$ 735,300
TRANSFERS OUT	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
NET CHANGE IN FUND BALANCE	\$ 120,345	\$ (460,000)	\$ (194,800)	\$ 269,532	\$ (264,700)
ESTIMATED 2% OF BUDGET CONTINGENCY ADDBACK	-	235,800	234,000	-	235,000
NON-RECURRING CAPITAL EXPENDITURES	186,678	343,700	451,000	399,000	225,200
ESTIMATED NET OPERATING BUDGET	\$ 307,023	\$ 119,500	\$ 490,200	\$ 668,532	\$ 195,500

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## General Fund Major Changes From PY

### ADDITIONAL REVENUE/SAVINGS

- Property Tax Revenue of \$196,000
- Healthcare Costs Savings \$181,900

### REDUCTION IN REVENUE/INCREASE IN EXPENDITURES

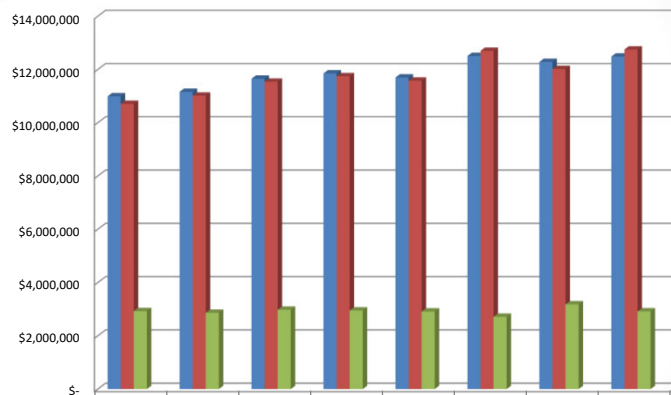
- Expected Cost of Living Adjustments \$112,000
- Fulfillment of CM Vacancy \$70,600
- Expected Vacation Sells \$90,000
- Pension Change \$300,000

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## Comparison Of General Fund Revenues, Expenditures and Unassigned Fund Balance



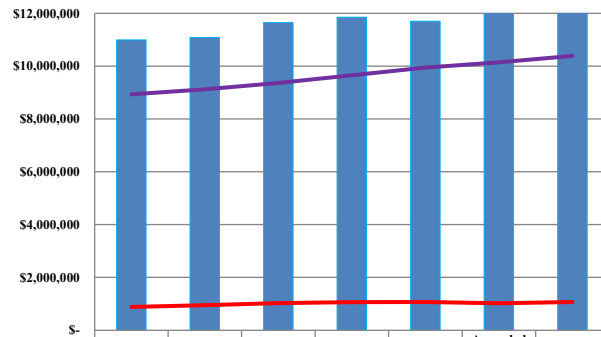
	Actual 2015-2016	Actual 2016-2017	Actual 2017-2018	Actual 2018-2019	Actual 2019-2020	Amended Budget 2020-2021	Projected Budget 2020-2021	Proposed Budget 2021-2022
Total Revenues	\$10,992,386	\$11,160,969	\$11,653,609	\$11,851,955	\$11,698,530	\$12,505,800	\$12,284,243	\$12,485,100
Total Expenditures	\$10,708,162	\$11,016,609	\$11,538,094	\$11,745,716	\$11,578,185	\$12,700,600	\$12,014,711	\$12,749,800
Unassigned Fund Balance	\$2,927,029	\$2,863,623	\$2,979,241	\$2,950,962	\$2,910,686	\$2,715,886	\$3,180,218	\$2,915,518
% Unassigned Fund Balance	27.3%	26.0%	25.8%	25.1%	25.1%	21.4%	26.5%	22.9%

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## General Fund Major Revenue Sources

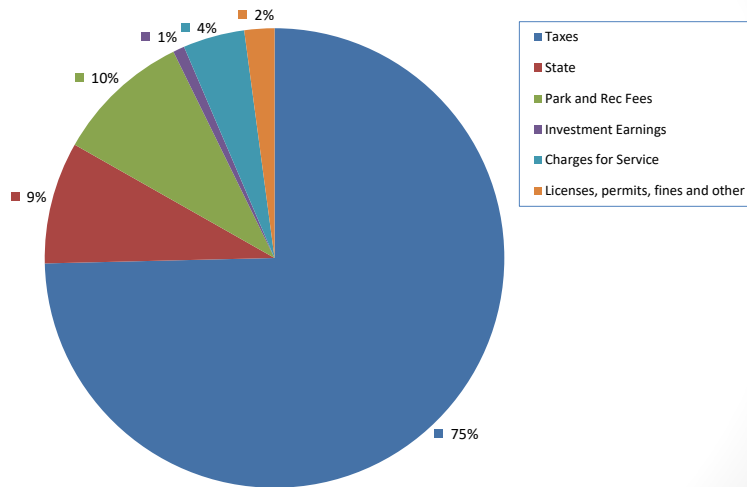


	Actual 2015-2016	Actual 2016-2017	Actual 2017-2018	Actual 2018-2019	Actual 2019-2020	Amended Budgeted 2020-2021	Budgeted 2021-2022
Total Revenues	\$10,992,392	\$11,080,400	\$11,653,609	\$11,851,955	\$11,698,530	\$12,505,800	\$12,485,100
Property Tax Revenue	\$8,046,700	\$8,172,400	\$8,335,190	\$8,590,040	\$8,877,550	\$9,120,800	\$9,316,800
State Shared Revenue	\$887,054	\$948,100	\$1,025,112	\$1,063,760	\$1,067,863	\$1,023,400	\$1,072,000

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## General Fund Revenue



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## 2021 Assessment Facts

- 2021 Assessments were developed using a two-year sales study – 4/1/2018 through 3/31/2020
- Residential class Assessment Values increased 6% overall. Changes ranged from -2% to +13%
- Commercial class Assessment Values had a 3.4% increase overall.

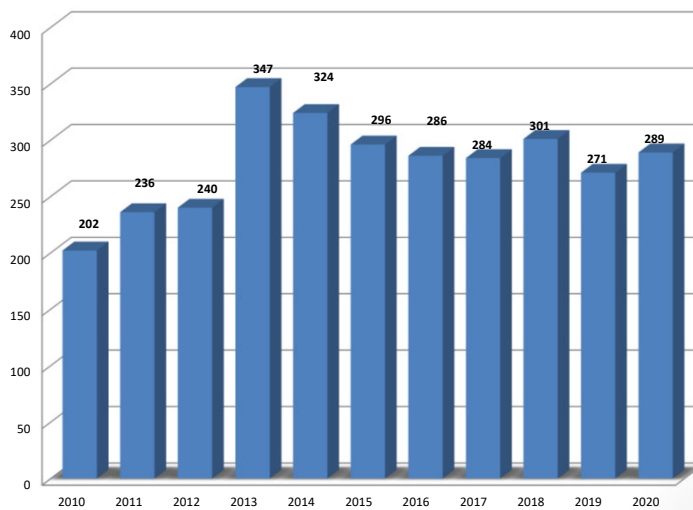
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## Additional Assessment Facts

Number of Properties Transferred



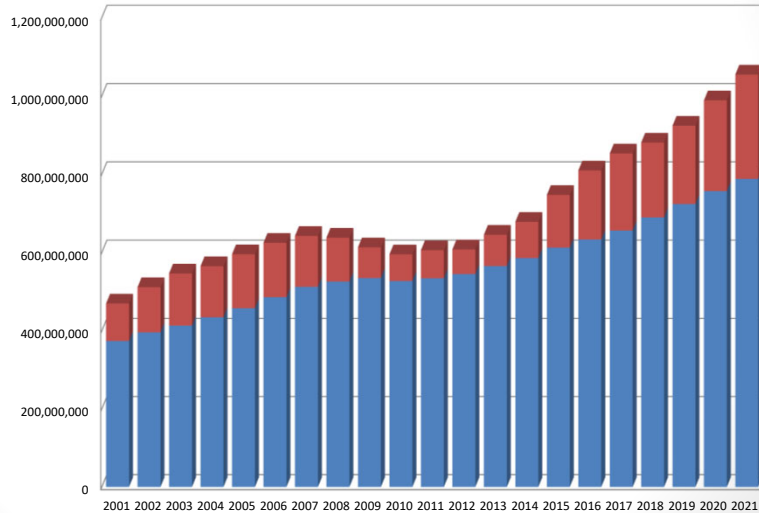
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## Taxable Value vs Assessed Value

Taxable Value vs Assessed Valuation



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## Impact Of Proposal A

- Taxable Value increases by CPI or 5%, whichever is less
  - 2020 CPI – 1.4%
- Uncapped values are treated as growth on existing property resulting in millage roll backs.
  - 2021 Millage Rates will be rolled back 1.96% to 11.79637 mills
- The combination of a low CPI and uncapping at times results in current property owners paying less in City taxes than the previous year.

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# Impact of Proposal A

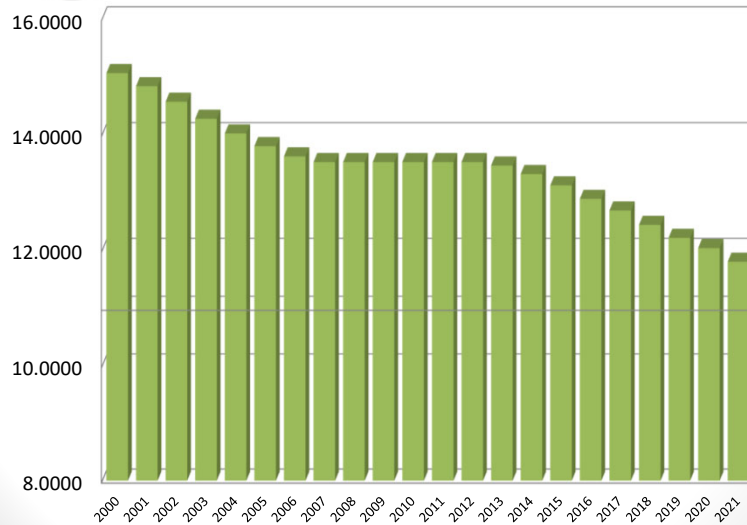
2020		
Taxable Value	Millage Rate	Total City Taxes Paid
\$200,000	12.0322	\$2,406
2021		
Taxable Value*	Millage Rate**	Total City Taxes Paid
\$202,800	11.79637	\$2,392
* increased by CPI 1.4%		
** Reduced pursuant to Proposal A		

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## Operating Millage Rate

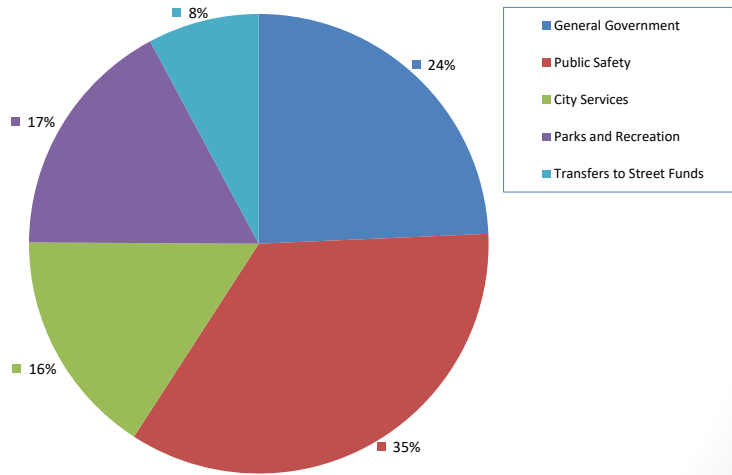


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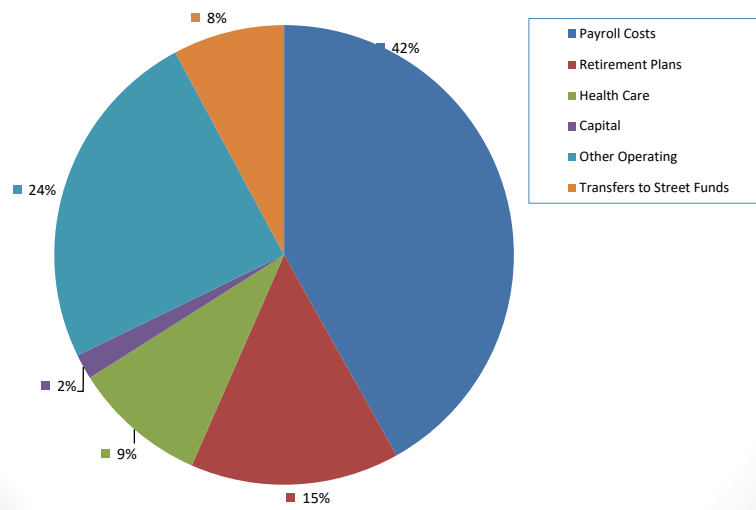
## General Fund Expenditures



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## General Fund Expenditures



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## Street Funds

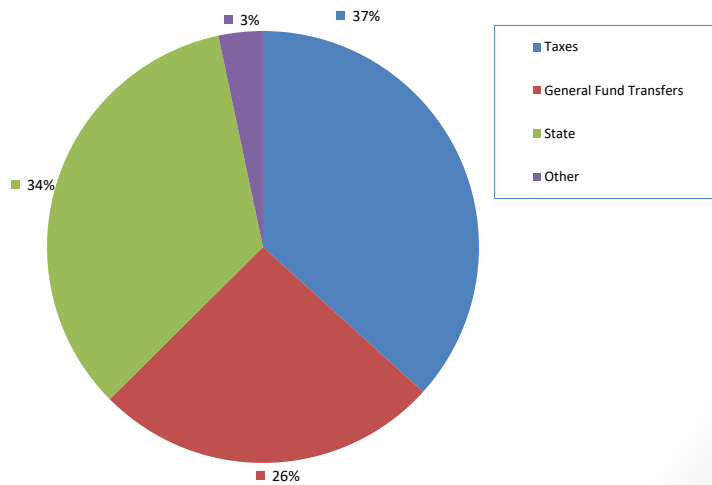
- Transfers from General Fund:
  - Local Street Fund - \$500,000
  - Municipal Street Fund- \$500,000
- City Millage for Roads
- 2017 State Revenue Package

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## Street Funding Sources

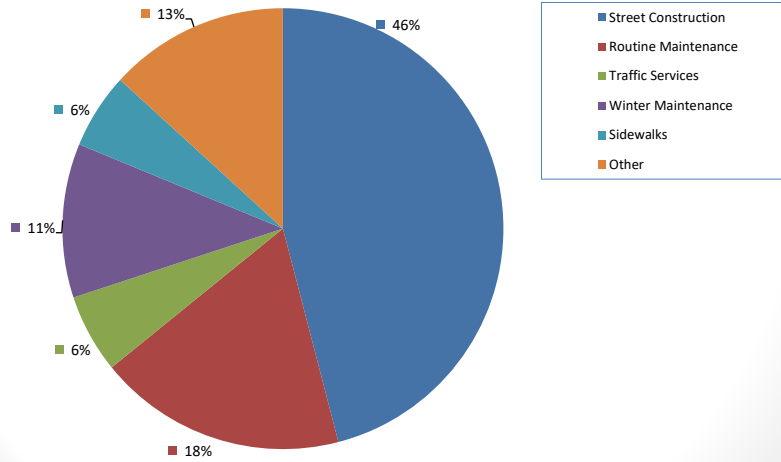


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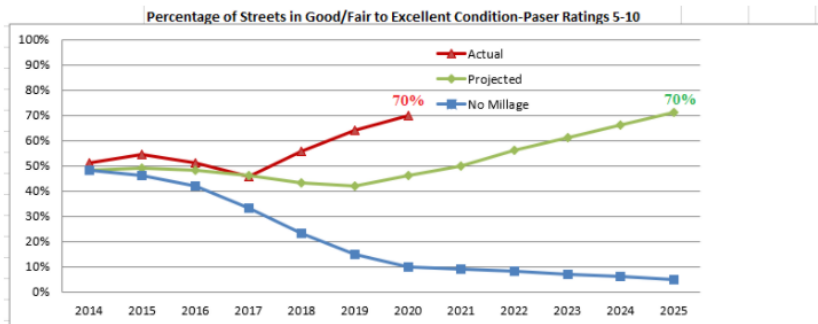
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## Street Funding Uses



## Percentage of Roads in Good/Fair Condition (PASER Ratings 5-10)





## Water and Sewer Fund

- Infrastructure improvements remain high priority!
- \$1 million proposed capital projects
- Water Rates remain at \$2.85 per 1,000 gallons
- Sewer Rates remain at \$3.65 per \$1,000 gallons
- Base readiness-to-serve remains at \$40
- \$85.50 per month for average EGR homeowner

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## American Rescue Plan – Impact

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## American Rescue Plan Impact

Yes, it will have an impact.

- Unknowns
  - How much
  - When it will come
  - What are eligible expenses
- Knowns
  - East Grand Rapids will receive funds in two rounds cutting across fiscal years
  -

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## American Recue Plan

- **Are there any guidelines on how American Rescue Act funds can be spent?**
  - The Department of Treasury will be issuing guidance detailing its interpretation and implementation of eligible uses, but the statutory language specifically authorizes the following uses of these funds:
    - To respond to the pandemic or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
    - For premium pay to eligible workers performing essential work (as determined by each recipient government) during the pandemic, providing up to \$13 per hour above regular wages;
    - For the provision of government services to the extent of the reduction in revenue due to the pandemic (relative to revenues collected in the most recent full fiscal year prior to the emergency);
    - To make necessary investments in water, sewer, or broadband infrastructure
- **Are there things that the American Rescue Act funds CANNOT be used toward?**
  - Yes, the Act prohibits states from offsetting, either directly or indirectly, a tax cut made since March 3, 2021; and prohibits states and local communities from depositing these dollars into a pension fund.

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# American Rescue Plan – Stay tuned!

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## Budget Summary

- City fiscal position strong as we emerge from COVID.
- Continues the City's commitment to infrastructure improvements
- Continue to offer and maintain high level of services offered to residents
- First full fiscal year with new pension system model.

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# Questions & Comments

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