



Members of the Grandville City Council:

The following financial plan for the City of Grandville's 2018-19 fiscal year reflects a very extensive review undertaken by the City Council this year during the budget development process. That review included a thorough examination of known or projected significant and/or capital expenses including estimated future pension obligations, overdue building maintenance improvements, fire department apparatus replacements and potential capital improvements such as the long-considered expansion of the Grandville branch of the Kent District Library. Some of these expenses have been necessarily-deferred in past years, primarily due to the impact of the late 2000's recession, the Proposal A property tax limitations and less than full funding by the State of shared revenues previously promised to local governments.

After completing that review, which included a myriad of potential budget scenarios, the City Council determined to take proactive steps to begin accumulating the resources necessary to systematically handle such expenses over a period of several fiscal years. The primary such move was to increase the City's property tax millage rate to 11.05 mills in 2018, an increase of 0.75 mills. The additional revenues will be specifically-designated and reserved for the anticipated pension costs and identified capital expenses (see list enclosed), as they may be ultimately approved by the Council.

Despite the millage increase, the City of Grandville's property tax millage rate will remain the second lowest of any City in the vicinity without an income tax (see chart enclosed). The net impact of the increased millage rate on the median value single family home in Grandville is \$52.72 per year or \$4.39 per month (as illustrated by the sample tax bill enclosed).

General Fund tax revenue will be allocated as follows:

General Fund – \$5,998,197
Street Funds – \$653,441
Capital Fund - \$418,020
Project Reserve Fund – \$130,688

Highlights of select programs and their proposed budgets and detail of the financial plan for the fiscal year beginning July 1, 2018 through June 30, 2019 follow that may be helpful in illustrating key points of this plan:

General Fund

General Fund revenues are projected to total \$9,801,177 which is \$498,725 (5.36%) more than budgeted General Fund Revenues for the current fiscal year. Our two primary sources of revenue are property taxes and state shared revenue (80% of all revenue).

The General Fund provides a wide array of city services including police, fire, district court, parks and recreation, cemetery, general administration and others. 61% of Grandville General Fund spending is on public safety and court/probation. Total General Fund expenditures are budgeted at \$10,314,513. This is an increase of \$666,600 (6.91%) from budgeted expenditures in the current fiscal year. Many factors contributed to the increase, such as increase contribution to MERS for pension funding, grounds maintenance for DPW, an additional Police Officer, new roof for the Community Building, Park & Recreation Master Plan update and additional Storm Sewer Charges.

Police Department

Police Department budgeted expenditures total \$3,951,818 or approximately 38% of total City General Fund expenditures. There are budgeted expenditures of \$75,000 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. The Police Department budgeted for an additional officer, for a total of 25 full-time officers, and two full-time and one part-time civilian.

Fire Department

Fire and 24 hour emergency medical response budgeted expenditures total \$1,257,632 or approximately 12% of total city General Fund expenditures. Capital expenditures of \$55,100 were budgeted, including turn out gear, computer replacements, heavy rescue tools, and an extractor for Person Protection Equipment. The Fire Department will be operating with 8 full-time, 26 paid on-call Firefighter/EMS employees and one part-time administrative assistant.

Parking Lot

Repaving of City Hall and Community Building parking lots are budgeted.

Parks and Recreation

The Parks and Recreation budget includes a concession stand roof replacement and a Park & Recreation Master Plan update.

Special Projects

The 2018-2019 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.

Capital Fund

This is a new fund designated by council for the 2018-2019 budget. This fund will be used to earmark revenue from the increased millage rate for future capital projects and additional MERS pension expense. An allocation of \$418,020 of the total tax revenue is budgeted and no budgeted expenditures for 2018-2019.

Project Reserve

The 2018-2019 budget will receive tax revenue of \$130,688 designated for future special projects. There are no budgeted expenditures, although the Kayak Launch expenditures will likely carry over from the 2017-2018 budget. The fund is projected to end the year with a balance of approximately \$301,000.

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. Tax revenue of \$653,441 is budgeted to transfer to Major and Local Streets.

Four Major Street projects are budgeted for this year, Ivanrest, Divison, Canal (South of 44th St), and Busch Drive.

Ten local streets will be reconstructed or resurfaced next fiscal year: Bremer, Redwing/Redman Ct, Willow Creek, Blackhawk, Cedar Creek, Algonac, Canute, Socorro, Orchard, and Teton.

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 \$7,212,828. This budget includes \$1,541,000 in capital improvement to the plant and the collection system.

A comprehensive utility rate study is completed annually and the recommendation to maintain without change the current commodity (\$3.00 per thousand gallons) and Ready-To-Serve (\$9.60 per quarter for a 5/8" meter) rates.

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 \$3,196,765 and includes a budgeted expenditure of \$640,000 for a water main projects on Ivanrest and Division.

The same annual comprehensive rate study completed for sewer rates is used to determine water rates. This year's study documented the need to increase the commodity charge from \$2.62 per thousand gallons to \$2.85 per thousand gallons and the Ready-to-Serve charge from \$15.24 for 5/8" meters to \$16.67 per quarter for a 5/8" meter, adjusting larger meters accordingly.

The commodity charge is used to pay for the operations of the water system. A majority of the expense in operations is the wholesale purchase of water from the City of Wyoming.

The Ready-to-Serve charges are used to maintain the water main infrastructure in the City. The City had an Asset Management Report required by the State of Michigan and the report has identified several projects to complete in the next five years.

Summary

The Fiscal Year 2018-2019 Financial Plan for the City of Grandville is a collective effort of the public, City Council and City staff members. All involved in the development of this plan are mindful of the responsibility for stewardship of public funds and committed to contributing to a successful and sustainable community future with a continued high quality of life. Appreciation is extended to all involved in this important process with special thanks to Finance Director Tammy Hopman for her professional management of City daily finances and her leadership in the development of the FY 2018-19 budget.

Respectfully Submitted,

Kenneth D. Krombeen
City Manager