

BUDGET FOOTNOTES
FY 18/19 OPERATING / CAPITAL BUDGET

General Fund-101

<u>Item</u>	<u>Page</u>	
1	1	<p>The City’s total Ad Valorem Taxable Values increased this year about 2%. There is still an additional \$13.2 million in real taxable value in the Gerber Products Agricultural Renaissance Zone, which is not scheduled to be fully taxable till 2024. The City established the 15-year Zone in 2009, annually reducing the City’s property tax revenue by \$225,000. The City held on to 14 mills as long as they could, but had to increase the levy to 15 mills in 2016, the first increase in eighteen years, and will most likely continue till the Ren-Zone has ended. The Charter permits the City to levy up to 20 mills.</p> <p>The City’s ad valorem tax revenue estimate of \$1,813,104 was also reduced by tax captures from the DDA (\$176,253), LDFA (\$2,993), PA425 (\$1,000) and Brownfields (2,221.) The increased capture of General Fund tax revenue became necessary because of the loss of “capturability” of the school operating millages due to the State of Michigan’s tax legislation changes.</p> <p>IFT property taxes have been decreasing due to IFT certificates expiring, from which the taxable property values held at 50% on the IFT tax roll that will be added to the ad valorem tax roll at 100%. Most of the City’s IFT certificates have an exemption status for 12 years.</p>
2	1	<p>This line item accounts for property tax payments received from parcels transferring to the City’s jurisdiction under the December 2004 “P.A. 425 Conditional Transfer Agreement” with Dayton & Sheridan Townships, which was amended to include additional properties in 2017. Parcels are not transferred into the City until water/sewer utilities are hooked up to a property. Then all other City services are received as well. Also, see Footnote #34 for details of the township payouts.</p>
3	1	<p>The current franchise fee for Comcast to lease the City’s street ROW’s to provide cable TV to its customers is based on 5% of their gross revenues.</p>
4	1	<p>Splitting the Statutory portion of local government Revenue Sharing from the Constitutional became necessary when the Governor’s EVIP (Economic Vitality Incentive Program) policies were adopted by the Legislature. It started out with an automatic elimination of 66% of the Statutory Revenue Sharing and implemented a set of state standards that local governments must abide by in order to receive the remaining 33% of the revenue. The State has estimated up to 3% increases in both revenues for this year. A Local Stabilization Fund was established to coordinate replacement of the eliminated personal property taxes. This is the first year the City received its full amount for lost personal property tax dollars \$411,750.</p>
5	1	<p>The economy has shown an increase in interest rates on short-term investments, so the City is now earning approximately 2% on investments.</p>
6	1	<p>Annual land rents at the Fremont Municipal Airport and Industrial Park.</p>
7	1	<p>The City receives an annual maintenance grant (est. \$25,000) from the William Branstrom Park Endowment Fund held at the Foundation; and the Police Dept. coordinates “Shop with a Cop” annually (est. \$15,000) for the community; plus donations are typically received for miscellaneous projects.</p>

aggressively reduce their unfunded %, with a goal of being full funded within 20 years versus the original 30 years. This has increased the City's annual premiums, whereas the City has a current funding level of only 60% as of 12/31/2017. To address this, the City plans to continue making the additional annual contributions over the next ten years or until the City's funding level is at a more comfortable 80+%.

- 31 6 The City's annual experience modifier increased dramatically following an unfortunate incident with a City employee last year, which will have a 3-yr effect on the City's workers compensation rates.
- 32 6 This line item only includes costs attributive to administrative operations. The City's municipal liability insurance rates through the MML Liability and Property Pool experienced very little change over the last six years. This is a result of the City's preventative maintenance of facilities and infrastructure, not to mention personnel training and attitude.
- 33 6 Transfer out to townships the 4 mills of shared property tax revenues collected on parcels located with the P.A. 425 Agreement areas within Dayton & Sheridan Townships. Per the Agreement, the 4 mills of tax sharing are limited to 20 years from the time a parcel transfers to the City's jurisdiction. (See Appendix P for a map of the 425 Agreement Parcels and Appendix Q for a summary of the parcel values and tax receipts for the 425 Agreement.)
- 34 6 Community Promotions entail a variety of items: Yahaba Friendship City Program Administration (\$3,000); City Beat Newsletters (\$12,000); Employee Recognition Picnic (\$1,000); Chamber of Commerce Annual Community Profile (\$1,000); Hike & Bike Program (\$1,500); and other miscellaneous items (\$2,500.)
- 35 6 The County Treasurer's office annually charges back prior year tax rebates typically attributable to Michigan Tax Tribunal appeals and bankruptcies.
- 36 6/9 Transfer 25% of the Darling Walkway project costs to Local Street Fund-203
- 37 6/11 Transfer the City's 5% match for airports federally funded north/south runway mill and PFC resurfacing. Split \$95,000 over two years (\$45,000/\$50,000) to the Capital Projects Fund-490; cover relocation of City entryway signs on M-82 (\$15,000); and 50% of the new Pathway on Stone Rd. (\$25,000.)

Major Street Fund-202

- 38 7/8 The State has again estimated little if any increase in Motor Fuel Tax (MFT) funds available for the P.A. 51 funding formula distributed between MDOT, county road commissions and cities & villages. It is due to the significant raids on the MI Transportation Fund to cover more costs of other State Departments to cover the State's General Fund.
- 39 7 The City annually crushes concrete and sells the resulting aggregate to local contractors and residents. This recycling/sales resource pays for itself and allows the City to keep enough product for city-street projects as well, which helps keep our raw material costs low on projects. The City has not purchased gravel for street projects since we began crushing operations in 1994.
- 40 7 MDOT reimburses the City's maintenance budget to cover annual maintenance costs on M-82 and has covered increasing winter maintenance costs experienced over a few harsh winters in prior years.

- 41 7 The City was successful in receiving an MDOT Loan to help fund the Cedar Street Extension project, through the “State Construction Loan Program” that this project qualifies for. If the City is successful with its EDA federal grant, it will return the loan funds.
- 42 7 FY 18/19: Street milling/resurfacing of Cedar Street (between Stewart & Division.)
FY 17/18: Street milling/resurfacing of Locust Ave. & Industrial Dr. in the Industrial Park. Funded with a \$112,000 Rural Development MDOT grant, LDFA TIFA funds of \$50,000 and Major St (\$26,000.)
- 43 7 Construct new sidewalk along West Main Street, from Industrial Dr to Green, and along Green Avenue, north from Main Street (covered by Special Assess)
- 44 7 The City has applied for a \$740,000 EDA grant to fund 50% of the final phase of the Cedar Street Alternate Truck Route Extension, estimated to cost \$1,476,850, plus \$90,000 for construction engineering.
- 45 8 Transfer of the maximum 25% (\$83,750) of P.A. 51 Major Street revenues to the Local Street Fund-203 for much-needed local road projects. Under the Act 51 funding distribution formula, Local Streets receive significantly less per road mile than do Major Streets. Yet, the City has significantly more Local Streets (17.57 miles) than we do Major Streets (11.49 miles.)

Local Street Fund- 203

- 46 9 State METRO Act right-of-way (ROW) rental fees for telecommunication companies, such as AT&T (formerly SBC) These funds are at-risk due to the hotly debated issue with local CATV franchising & private use of locally-owned ROW’s at both the Federal & State governmental levels.
- 47 9 Construction costs related to the closure of Darling Ave (Main-Maple) and Sheridan St (Darling-Merchant) and implementation of a walkable pathway, curbing street closures and pedestrian lighting. Total project cost of \$500,000, with the Capital Project Fund covering the beautification, artwork, irrigation and lighting.
- 48 9 FY 18/19: Sheridan Street (Merchant-Division) and State Street (Westwood-west dead end.)
FY 17/18: Street milling/resurfacing of Lake Drive (Oak-Lakeview & from Lake/Lake intersection west 380’), Sullivan Ave & Oak St (southwest corner of Hospital), Mechanic Ave (Elm-Cherry), Maple St (Sullivan-Gerber) and Dayton St (Darling-Merchant.)
FY 16/17: Street milling/resurfacing of Darling Ave (Maple-Pine) and Merchant Ave (Pine-Sheridan.)

Downtown Development Authority (DDA)

Operating Fund-248

- 49 10 In December of 2006, the City sold \$1.7 million of Capital Improvement Bonds to finance the first phase of reconstruction of the downtown parking lots and alleys, erection of a new way-finding signage system and the

provision of environmental enhancement and recreational opportunities in the Fremont Industrial Park (FIP). Debt service on the bonds is financed through TIFA district captures through the DDA and LDFA.

This line item includes the DDA's FY 18/19 portion, \$128,452 or 88.2% of the coming year's debt service costs of \$145,637 on the bonds (also see Footnote # 54 and the Debt Service Schedule in Appendix N of the Budget.)

This line item also now includes additional TIFA capture of (\$157,223) to:

- Pay for most of the DDA District Maintenance Dept. costs (\$115,290);
- DDA Façade/Right-of-Way renovation grant program (\$20,000);
- Cover the public-benefit (1/3 or \$9,993) of the overall annual cost of \$29,980 for downtown parking maintenance. The remaining private-benefit (2/3's or \$19,987) will be special assessed to the property owners within the revised DT Parking Assessment District (see Footnote #51);
- Cover the remaining portion of DDA administration (\$31,940)

(FY 17/18 also included the DDA's portion (\$95,000) of the Darling/Sheridan street renovation project (\$155,000 – the \$60,000 Beautification Fd grant)

50	10	Represents an annual grant of \$14,000 to be requested from the Fremont Downtown Beautification Fund endowment at the FAF for DDA maintenance. The DPW crew has assumed additional operation and maintenance, including an extensive banner program, more parking, landscaping & irrigation, flowers, etc. The remaining maintenance costs will be covered by additional TIF capture of levies from the City, Newaygo County and the Fremont Area District Library within the DDA District. FY 17/18 also included a \$60,000 grant requested from the Beautification Fund to help cover costs for landscaping and art along the new pathway in the Darling/Sheridan street renovation project.
51	10/18	Special assessments are being levied within the re-established Downtown Parking Maintenance District. Total maintenance budget for FY 18/19 is \$29,980. Based on the previous DT Parking S.A. program, 2/3's of the cost (\$19,987) will be assessable annually to private property owners within a defined S.A. district and 1/3 of the cost (\$9,993) will be covered by taxes captured from the City, FCRA, County & District Library by the DDA & LDFA.
52	10	Represents the DDA's long running Downtown Building Façade Renovation Program funded by TIF capture funds and the City's General Fund. This year the DDA plans to expand the grant program (\$20,000) to include right-of-way renovations within the district and west of downtown.
53	10	Supply costs typically cover landscaping supplies and purchase of flowers throughout the entire DDA District, but predominantly in the Downtown area.
54	10	Debt Payments (<u>\$128,452</u>) are 88.2% of Capital Improvement Bond annual debt service (LDFA Fund pays remaining \$17,185 or 11.8 %.)
55	10	<u>FY 17/18</u> : Transfer of captured funds (\$95,000) and \$60,000 Beautification Fund grant for City/DDA construction project: Darling/Sheridan Street Renovation.
56	10	Intentionally left blank

Local Development Finance Authority (LDFA)
Operating Fund-298

- 57 11 Tax revenues will continue to be captured for debt payments on the 2006 Capital Improvement Bonds used to fund various projects, including installation of entryway signs & landscaping (3 locations); additional Town & Country Pathway; and wetland & wildlife habitat enhancements around Outlot A of the Fremont Industrial Park (FIP).
- This year's capture of \$22,185 TIF capture is broken down as follows:
- \$17,185 LDFA portion of debt service and fees on 06' Capital Improvement Bonds
 - \$5,000 for LDFA's share of administrative costs
(FY 17/18 included an additional \$50,000 for LDFA's share of mill/resurfacing of Locust & Industrial Dr.)
- 58 11 The City occasionally sells FIP property for further development of the Park
- 59 11 In prior year's, the LDFA accumulated a fund balance from the sale of lots in the Industrial Park and the City transferred funds to the General Fund to help with other construction projects in the community.
- 60 1/11 The LDFA annually transfers \$5,000 of TIF capture funds to the General Fund to cover LDFA administrative costs, staffing, audit, accounting, tax collection, etc. The LDFA has a fund balance due to the continued sale of lots in the Industrial Park and will transfer some of those funds to the General Fund as needed in future fiscal years.
- 61 10 FY 17/18: Transfer to Major Street Fund the LDFA's share of Milling/Resurfacing of Locust Ave. & Industrial Dr. in the Industrial Park.
- 62 10 Industrial Park (LDFA) construction projects used up an estimated 11.8% of the 2006 Bond project funds (11.8% x \$1,650,000) received from the 2006 Capital Improvement Bond sale (see Appendix N.) This transfer represents that portion of the bond principle and interest due this fiscal year.

Capital Improvement Bond
Debt Retirement Fund-389

- 63 11 In December of 2006, the City sold \$1.7 million of Capital Improvement Bonds to finance the first phase of reconstruction of the downtown parking lots and alleys, erection of a new way-finding signage system and the provision of environmental enhancement and recreational opportunities in the Fremont Industrial Park (FIP). All of the net proceeds of the '06 Bonds (\$1,674,500) are shown in the Capital Projects Fund-490. Construction began in Downtown in mid-winter of 2007 & was completed June 2008. Work in the Fremont Industrial Park was completed June 2009.
- The downtown portion of the bond project includes parking area expansions, retaining wall replacement, perimeter screening/landscaping, alley resurfacing, parking lot & alley lighting, extension of decorative lighting along the perimeter streets (Merchant, Dayton & Division) and construction of the Fremont Market Place Pavilion, which will house the relocated Farmers' Market. Debt service on the new bonds will be financed through TIF captures through the DDA and LDFA.

Capital Projects Fund-490

- 64 12 Originally requested \$20,000 MEDC Patronicity Grant to match \$20,000 fundraising campaign for “Oak Arch” piece to be located in the new Darling/Sheridan street renovation project. The project raised \$40,000, earning a \$25,000 Patronicity grant.
- 65 12 Use last fiscal year’s fund balance increase that accumulated from unspent amounts from the prior year Darling Walkway project.
- 66 12 Intentionally left blank.
- 67 12 The Stone Rd sidewalk project will be funded 50/50 by the General Fund and the Town &Country Path construction funds because the walk will be 6’ wide
- 68 12 The Fremont Municipal Airport Projects include a 5% local match for the milling/resurfacing of the PFC surface of the north/south runway.
- 69 12 “Oak Arch” piece to be positioned at the intersection of Darling & Sheridan street following the street renovation project.
- 70 12 Parking lot, landscaping and artwork in and throughout the Downtown Darling Walkway Street Renovation project.

Sanitary Sewer System Enterprise Fund-590

- 71 13 Sewer Fund revenues declined dramatically after Gerber Product’s Research & Pilot Plant wastewater lines were diverted from the City’s sanitary sewer system to Gerber’s treatment facility located in Dayton Township. Additional lines within the plant have more recently been diverted as well.
- The City gives residents an opportunity to purchase & install a second water meter for any irrigation systems or outdoor water spigots, allowing them to not be charged for sewer on water applied to their lawns and not entering the sanitary sewer system. With many residents and businesses having installed irrigation meters, sewer revenues have decreased.
- For the above reasons, in 2011 the City implemented an increase in sanitary sewer rates for the first time in over 15 years. A moderate 5% increase in the residential rates and the implementation of a new rate based on meter sizes. Rates have been the same for all meter sizes in the past, but studies show that higher-end users create the most strain and demand on the system, so it was determined that higher rates for those users were justified. The rates were increased 5% in 2017 as well.
- 72 13 The City occasionally budgets to “slip-line” sections of sanitary sewer main lines, whereas slip-lining coats the inner lining of sewer mains that have cracks in them and prolongs the usefulness of the lines up to an additional 20-30 years, a process much less expensive than replacement. The City also plans to have expansion of the wastewater lagoon system engineered, with the addition of another lagoon cell to accommodate future growth in the community.
- 73 13 Intentionally left blank.
- 74 14 FY 16/17: The City replaced its sewer line video system this year (\$95,000.)
- 75 14 The City annually budgets for replacement of a pump at any given sewer

