

Significant Revenue, Expenditure, Staff & Program Notes - Fiscal Year 2019-20:

Revenues - Total general fund revenue (excluding transfers-in) is budgeted to increase less than one percent / \$275,050 relative to fiscal year 2018-19 estimated year-end revenue mostly due to increased tax revenue and state shared revenue. Tax revenue for the general fund is budgeted to increase 4 percent / \$782,000 and state shared revenue, another significant revenue source, is budgeted to increase 4 percent/ \$228,000 based upon the State of Michigan's published projection. These increases are netted against decreases, such as the indirect cost revenue (fee charged to other city funds for general fund central service costs) which declined \$357,000 due to the expense for the unfunded liability for pension and OPEB costs no longer being collected through personnel costs as it is now paid by way of debt payments. In addition, reimbursements and grants are decreasing approximately \$197,000 due to one-time revenue sources in fiscal year 2018-19.

Transfers-in - The transfer-in total is \$1,512,000 which is an increase of \$500,000 due to the one-time transfer from the DDA TIF to help fund a portion of the ROCC project utility work costs. The balance of the transfer-in is a \$737,000 annual transfer from the DDA TIF to pay the debt service on the downtown park and \$275,000 from the auto parking fund for in lieu of tax payment.

Expenditures – Total general fund expenditures (excluding the one-time cash transfer for the ROCC project) are budgeted to increase 9 percent / \$3.5 million relative to fiscal year 2018-19 estimated year-end expenditures, mostly due to the transfer to the public safety fund, wage increases, medical benefit increase and pension and OPEB UAL contribution increases.

Transfers-out – Total transfers-out of the general fund amount to \$24.67 million. Transfer-out to the public safety fund is budgeted at \$21 million, a \$2 million increase from fiscal year 2018-19. The forecast estimates that the transfer-out to the public safety fund will be as high as \$22.75 million by fiscal year 2023-24. \$350,000 transfer-out to senior center fund continues to be necessary to support current programming and it is estimated that the transfer will need to increase to \$450,000 by fiscal year 2023-24. A \$600,000 transfer-out to the parks capital improvement fund is budgeted during fiscal year 2019-20. The 2019-20 budget has a transfer to ROOTS fund in the amount of \$20,000 for the commission for the arts funding and \$2,000 to ROOTS for the Memorial Day parade. The budget provides for a \$22,210 transfer to the indigent defense fund representing the city's match. The 2019-20 budget includes a \$2.2 million debt payment on the ROCC project, and the forecast provides for this same amount to be transferred annually for the duration of the term on ROCC project bonds. The general fund continues to transfer-out approximately \$466,000 annually to pay the debt service on the court building until 2024.

General Fund and Public Safety Fund balance combined – The fiscal year 2019-20 budget provides for the use of \$2.9 million from fund balance as a revenue source to fund expenditures and transfers-out. The ending fund balance level is projected at nearly \$13.7 million / 25.4 percent, which is outside of the fund balance policy as the fund balance policy is 10 percent to 25 percent of expenditures. However, the projected forecast shows a continued structural deficit with use of fund balance between \$2.1 million to \$3.6 million annually. A combined fund balance for the general fund and public safety fund totals \$2 million / 3.4 percent of expenditures at the end of the estimated forecast. Should the future estimated budgets be accurate, the use of fund balance will not be sustainable in the long-term as the fund balance will be depleted.

The balance of noteworthy program information can be found in the significant note section (an orange box) within each of the funds/cost centers.