

Significant Revenue, Expenditure, Staff & Program Notes - Fiscal Year 2020-21:

Revenues - Total general fund revenue (excluding transfers-in) is budgeted to decrease less than one percent / \$262,470 relative to fiscal year 2019-20 estimated year-end revenue mostly due to the reduction in the revised projections of state shared revenue of approximately \$1 million in fiscal year 2020-21 and \$679,000 reduction for fiscal year 2019-20, as a result of the pandemic. The loss is partially offset by increases in tax revenue, parking violations and indirect costs revenue netted against decreases from cable franchise/PEG fees, landlord licenses, right-of-way permits, dream cruise revenue and interest income. Tax revenue for the general fund is budgeted to increase 4 percent / \$781,000 and state shared revenue (another significant revenue source) is budgeted to now decrease 4.2 percent/ \$217,000 based upon the State of Michigan's revised projection and further reduced by city commission estimates. Indirect costs revenue (fee charged to other city funds for general fund central/admin service) is budgeted to increase 8 percent / \$157,750 due to increased personnel costs. Parking violations are budgeted to increase 19 percent / \$80,000 due to the revenue decline in the last quarter of 2019-20. There increases are netted against numerous decreases as follows: cable franchise/PEG fees of 10 percent / \$121,000 due to declining revenue /subscribers, landlord licenses 24 percent / \$90,000 due to performing a higher number of inspections every two years, right-of-way permits 59 percent / \$285,000 relative to projected 2019-20 as this was a higher than average year, Dream Cruise 19 percent / \$25,000 due to using historical average revenue, and interest income 54 percent / \$600,000 due to decrease in fund/cash balance and a significant decline in interest rates recently.

Transfers-in - The transfer-in total is \$1,587,000, which is an increase of \$350,000 from fiscal year 2019-20 estimated transfers, mostly due to a one-time \$600,000 transfer from the parks capital fund returning the monies loaned for Normandy Oaks Park development, which is netted against a decrease of \$250,000 from the DDA TIF fund, a \$275,000 decrease from the auto parking fund, and a \$250,000 decrease due to moving the Medicare retiree drug subsidy revenue to the retiree healthcare fund . Transfers-in consist of \$737,000 for the annual transfer from the DDA TIF fund to pay the ROCC debt service related to the downtown park, and the return of \$600,000 for the Normandy Oaks Park loan.

Expenditures – Total general fund expenditures are budgeted to decrease two percent / \$850,040 relative to fiscal year 2019-20 estimated year-end expenditures, mostly due to the decrease for the transfer out to the public safety fund and senior citizen services fund, and due to decreases in capital and “other” expenses that are described in each of the applicable cost centers significant notes section. These decreases are offset by wage increases, medical benefit increases and pension / OPEB contribution increases.

Transfers-out – Total transfers-out of the general fund amount to \$23.56 million. Transfer-out to the public safety fund is budgeted at \$20.51 million. A \$303,700 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 \$428,700 by fiscal year 2024-25. The 2020-21 budget has a transfer to the 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 \$23,240 transfer to the indigent defense fund representing the city's match, and \$24,000 to the motor pool fund to purchase a tri-deck mower for parks & forestry. The 2020-21 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 \$465,000 annually to pay the debt service on the court building until 2024.

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Significant Revenue, Expenditure, Staff & Program Notes - Fiscal Year 2020-21: (Continued)

General Fund and Public Safety fund balance combined – The fiscal year 2020-21 budget provides for the use of \$3.48 million from fund balance as a revenue source to fund expenditures and transfers-out. The ending fund balance level is projected at nearly \$10.9 million / 20.2 percent, which is within 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 \$4.2 million to \$6.7 million annually. A combined fund balance for the general fund and public safety fund totals -\$11.1 million / -18.5 percent of expenditures at the end of the estimated forecast. Should the future estimated budgets be somewhat accurate, the use of fund balance will not be sustainable in the long-term as the combined fund balance will be depleted by fiscal year 2023-24.

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

Budget Summary

General Fund Summary	2019-2020 Estimated Year End	2020-2021 Adopted Budget	2021-2022 Projected Budget	2022-2023 Projected Budget	2023-2024 Projected Budget	2024-2025 Projected Budget
Unassigned Beginning Fund Balance	16,526,632	12,710,272	9,831,482	5,390,511	969,471	(4,540,509)
Revenues	36,404,690	36,142,220	37,029,960	37,480,680	37,842,600	38,443,280
Expenditures	41,458,050	40,608,010	42,457,931	42,888,720	44,339,580	45,302,050
Net	(5,053,360)	(4,465,790)	(5,427,971)	(5,408,040)	(6,496,980)	(6,858,770)
Transfers from other funds	1,237,000	1,587,000	987,000	987,000	987,000	987,000
Net Change in Fund Balance	(3,816,360)	(2,878,790)	(4,440,971)	(4,421,040)	(5,509,980)	(5,871,770)
Ending Fund Balance	12,710,272	9,831,482	5,390,511	969,471	(4,540,509)	(10,412,279)
Fund Balance as a percentage of Expenditures	30.66%	24.21%	12.70%	2.26%	-10.24%	-22.98%
Public Safety Beginning Fund Balance	1,572,982	1,640,002	1,033,822	1,248,912	650,782	192,732
Public Safety Revenues	11,697,970	12,159,320	12,421,720	13,230,910	13,507,000	13,790,140
Public Safety Expenditures	33,170,950	33,815,500	34,756,630	35,839,040	36,975,050	38,160,590
Net	(21,472,980)	(21,656,180)	(22,334,910)	(22,608,130)	(23,468,050)	(24,370,450)
Transfers from other funds	21,540,000	21,050,000	22,550,000	22,010,000	23,010,000	23,510,000
Net Change in fund balance	67,020	(606,180)	215,090	(598,130)	(458,050)	(860,450)
Public Safety Ending Fund Balance	1,640,002	1,033,822	1,248,912	650,782	192,732	(667,718)
General Fund and Public Safety combined Fund Balance as a percentage of Expenditures	26.76%	20.15%	12.03%	2.86%	-7.46%	-18.48%