

BUDGET NARRATIVE
3/21/19
ONTWA TOWNSHIP
PROPOSED FISCAL YEAR 2019-2020

This document details the development of the proposed FY2019-2020 Operating Budget for Ontwa Township, Cass County, Michigan. Adjustments to this proposed budget are possible before the final adoption at a BOT Meeting on or before March 21, 2019

REVENUE BUDGET

The level and quality of services provided by a township are driven directly by the funding the municipality receives. Similar to almost all Townships in Michigan, Ontwa Township receives the bulk of its funding via State Shared Revenue Allocations and from a small Township Operating Millage levied on the Winter Tax bill only.

Total projected revenues of \$866,300 vs. last year's projection of \$891,370 a decrease of \$25,070. The estimate of this decrease comes mainly from the loss of income due to the final payment being made in 2018 on a \$40,000 loan to the Ambulance Service.

Township revenue consists of property taxes, licenses, state shared revenue, interest, rents, cable franchise fees, ambulance loan and miscellaneous income. Out state revenue of \$448,500 shows an increase of \$18,500 over last year.

Past Policy Actions Affecting Revenue Levels

- Not levying the 1% Tax Administration Fee on Tax Bills. Unlike many other townships in Cass County, Ontwa Township has not used its authority to charge the 1% collection fee. For the 2019-2020 FY, the Board of Trustees has once again decided not to assess this fee on the property owners of Ontwa Township.
- Headlee Roll-Back continues. By law, Ontwa Township is entitled to levy up to a 1.000 millage for Township Operating Costs. Due to the Michigan Constitution Headlee Amendment, the Headlee Roll-back provisions have reduced the millage to approximately 0.7400. If the 1.000 millage was assessed, Ontwa Township would receive about \$60,000/yr more in revenue for improved township services, infrastructure development, roads, and/or parks/recreation programs. Michigan law permits a Township the opportunity to "reset" their Millage back to 1.000 via a Headlee Reset Ballot Initiative. The current Board of Trustees has decided not to initiate a "reset ballot initiative" for the 2019-2020 FY. Although permitted by law this would represent a *tax increase* that is not needed because of our strong financial condition.

- The State Shared Revenue estimate has been adjusted upward to \$448,500 from \$430,000, an increase of \$18,500. We used the State of Michigan website method to estimate the amount of State Constitutional Mandated Shared Revenue and the State Statutory Shared Revenue amounts for the next fiscal year. This increase does not represent a tax increase on the individual taxpayers.

EXPENSE BUDGET

The current Board of Trustees fully embraces its responsibility to spend wisely as it provides quality township services, builds infrastructure development, cares for roads, and/or parks/recreation programs. The township board has worked to develop projected expenses of \$1,097,330 for the next fiscal year compared to budgeted expenses \$953,713 for the current fiscal year to end on 3/31/2019. That represents an increase of \$143,117 over the previous fiscal year. The biggest expense budget increases come from road repair and signing, increasing to \$306,000 in 2019-2020, from a budget of \$175,000 in 2018-2019, an increase of \$131,000. and on Parks and Recreation maintenance increasing from \$10,000 to \$30,000, an increase of \$20,000.

Township Board – Activity 101

The township board is the legislative body of township government. The Board of Ontwa Township consists of seven members, all of whom are elected for four-year terms. The board consists of the supervisor, clerk, treasurer, and four trustees. It has the authority to adopt ordinances and set township policy. It is the duty and responsibility of the township board to formally adopt the township budget after the required public hearing. Expenses include salaries of the trustees, association dues, education and training costs, and miscellaneous expenses as shown on the proposed budget.

Township Supervisor – Activity 171

The supervisor is the elected chief executive of the township. Duties and responsibilities include: chairman of the township board; sign/execute all contracts approved by the board; direct the timely preparation of the township budget; manage the budget after formal adoption by the board; oversee the assessing activity. Expenses include salaries and wages, office supplies, mileage and travel expense, education and training, and miscellaneous expense.

Elections – Activity 191

Elections are the function and are supervised by the township clerk. The township, by statute, must bear the expenses of all general elections, including wages paid to election inspectors, ballots and supplies, related mileage expense, purchase and servicing of voting machines, printed election notices, etc.

Assessor – Activity 209

The assessor is appointed by the township board and serves at the pleasure of the board. This individual must be certified at the required state level. Responsibilities include annual assessment of all real and personal property of the unit, maintenance of a property assessment record, preparation of assessment and tax rolls, and certification of tax rolls. Expenses include salaries and wages, maps and supplies, printing/mailing of assessment and tax rolls, mileage and travel, education and training and miscellaneous expenses. The increased cost associated with this position reflect the elimination of some benefits and an increase in responsibilities to include physical review of 20% of real and personal property within the township each year over a 5 year period. This amounts to 725 parcels a year. The on-site review of property/parcels is a State of Michigan priority, and it may increase tax revenue in future years. Our Township Assessor has received his level 3 certification in the 2017/2018 budgeted year.

Township Attorney – Activity 101-810, and 210

Policy Recommendations for Board Action

As in past years the firm of Bauckham, Sparks, Thall, Seeber, & Kaufman P.C. continues to serve as the Ontwa Township attorney.

Township Clerk – Activity 215 The township clerk is an elected member of the township board. Duties and responsibilities include clerk of the board with responsibility for minutes of meetings, detailed accounting records, preparation of financial reports, supervision of the election function and general record keeper of the township. The clerk is normally the individual contacted by outside sources regarding township business/services, receives bills from vendors, correspondence from the State of Michigan and federal government. Expenses include wages and salaries, office supplies, mileage and travel, education and training, and miscellaneous expenses.

Township Board of Review-Activity 247

The Board of Review (BOR) is a required function and meets during three short periods each calendar year. The BOR handles appeals to Property Tax Classification, Equalized Values, PRE, Hardship Exemptions, and more

Township Treasurer-Activity 253

The township treasurer is an elected member of the township board. Duties and responsibilities include being custodian of all monies and investments belonging to the township, recording cash and investments and funds to where they belong, collecting and distributing annual property tax levies and investing surplus funds in accordance with township policy. Expenses include salaries and wages, postage and office supplies, mileage and travel expenses, education and training, and miscellaneous expenses.

Policy Recommendations for Board Action

Permit the treasurer to deposit/invest with any bank or lending institution within the county, including banks and credit unions. The treasurer is also permitted to invest in securities of the U.S. Government and/or in prime commercial paper without prior board approval of each transaction. Monthly reports from the treasurer reflecting the status of cash and investments are provided.

Explanation of Changes in Costs

Office Supplies budget reflects tax notices and postage for summer tax collections (costs reimbursable, but must be budgeted). We also are showing the cost of tax roll printing and maintenance. The salary committee has recommended salary increases for elected officials using the midpoints of all Townships through out the state as a guide with similar taxable values. A 3.0% salary increase has been given to the supervisor, clerk, treasurer, and the office manager. The trustee yearly salary of \$3,600 was increased to \$3,700. The Township Deputy Clerk, Treasurer, and Supervisor hourly salaries are being increased from \$13.00 to \$13.50. The zoning administrator salary was increased from \$15,000 to \$17,000. The code enforcement position has been increased from \$5,000 to \$7,000. This responsibility has been assigned to the zoning administrator. The waste water administrator salary was increased from \$10,000 to \$13,000.

Township Building and Grounds-Activity 265

This activity, or cost center, is charged with costs related to the operation and maintenance of the buildings and grounds that house the administrative offices of the township and our ambulance service. Expenses include custodial services, trash disposal service, supplies for photocopying machine used by all offices, telephone expenses for all offices, utilities (gas & electric), maintenance and repairs, machinery and equipment necessary for operations of the cost center.

Cemetery Activity E10-40 This activity is used to partially fund the maintenance of the Adamsville Cemetery. Our annual charge is \$2,000.

Police-Activity E10-45

This activity is used to account for the Township's contribution to the Edwardsburg/Ontwa Police department that is governed by a inter-local agreement between Ontwa Township and the Village of Edwardsburg. A very small portion of this account area is for "pass through funds" like the Liquor License revenue. The Police Department is an independent agency overseen by the Police Board and is comprised of two members from the township, two from the Village of Edwardsburg and a citizen member at large. The Police Department has its own budget and prepares the required end-of-year audits required by the state. The expenditure for the Police Department of \$157,000 taken from general revenue represents the second largest expenditure by Ontwa Township this year. The inter-local agreement allows for this funding level to be reviewed and adjusted in conjunction with the Village of Edwardsburg that also provides additional funding to the Police Department.

Policy Recommendations for Board Action

The \$157,000 provided each year from the General Fund is the result of an agreement reached years ago. This expense means the Police Department is not funded solely via a dedicated millage. This is to be contrasted with the current Ambulance and Fire Services that do operate on a millage basis without agreements to draw from the Township General Fund.

Street Lighting 101-448

This activity supports street light and road maintenance throughout the Township. There is a Special Assessment District for street lights in the Regal subdivision.

Past Policy Actions Affecting Service Levels or Current Costs

The Cass County Road Commission is providing matching funds to Townships of 10% to 50% for various services. There are no Road Repair Special Assessment Districts in Ontwa at the current time. The BOT recognizes the importance of maintaining and repairing our local roads and the 2019-2020 budget of \$306,000 increases the Ontwa Township commitment from \$175,000 in the current 2018-2019 budget, which is an increase of \$131,000. The \$306,000 includes \$6,000 for new street signs entering Edwardsburg celebrating the division 4 state championship by the Edwardsburg High School football team.

Township Waste Collection-Activity 265-926

This is primarily the cost of the two (2) annual "Clean-up Days" as a service for residents of Ontwa Township to dispose of unneeded items at the township hall. Because of its growing popularity we are budgeting \$9,000 once again for this line item. Also included is the routine trash removal from township facilities.

Ambulance/Fire Protection-Activity E10-60s

Ambulance and Fire protection for Ontwa Township is supplied by the Edwardsburg Fire Department, and the Edwardsburg Ambulance Service. These are separate Inter-Local Agreement Agencies and are funded almost entirely by a tax millage. Each service has its own budget and prepares required end-of-year Audit Reports for the State. The Fire Department is an all volunteer department that also supplies services for the Village of Edwardsburg, and a portion of Jefferson and Milton Townships through an inter-local agreement. The fire department is overseen by a seven member board comprised of two members from each township and a member at large from the covered areas. The ambulance department is overseen by a five member board comprised of two members from the Township, two from the Village of Edwardsburg and a member at large from the community.

Planning Commission-Activity 807 & 410

This activity, or cost center, is charged with costs related to the long-range planning functions of the township. In 2017 we completed an updated master plan and an amendment on ordinances and rules regulating land.

Building Inspections-Activity 371

This activity is used to account for salary for zoning and building inspections, and pay for electrical, plumbing, and mechanical inspections. Payment for inspectors follows the 80%-20% guidelines from the State of Michigan. 80% of fees collected go to the inspectors, and 20% remain with the township to cover the fixed costs of this service.

Parks-Activity 751

This activity is used to account for the salaries, payroll taxes, supplies, maintenance and utilities needed to operate and maintain the Township's Park system. We continue to support the complete streets investment with a continuing \$25,000 yearly investment in the program. This is a restricted fund only to be used for bike and hiking trails. We also are budgeting \$30,000 for park maintenance compared to \$10,000 the previous year. This spring construction will begin on a connector path from Claire Street to the sports complex.

BUDGET SUMMARY

The total projected income for 2019-2020 is -- \$866,300

The total projected expenses for 2019-2020 is- \$1,097,330

Difference \$231,030

The difference of \$231,030 is projected in our March 31, 2020 ending fund balance total of \$776,709

Explanation of fund balance

Estimated General Fund Balance as of April 1, 2019 is projected to be at \$1,007,239

The Estimated General Fund balance at the end of March 2020 is projected to be approximately \$776,209 leaving our Township with an estimated fund balance of 71% to the operating budget.

Jerry Marchetti
Ontwa Township Supervisor