

# **BUDGET NARRATIVE**

## **ONTWA TOWNSHIP PROPOSED FISCAL YEAR 2015-2016**

This document details the development of the proposed FY 2015-2016 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 31, 2015.

### **REVENUES 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 \$840,290 for FY2015-2016 vs. last year's projection of \$808,280, represents an approximate 4% increase. Township revenue consists of property taxes, licenses, state shared revenue, interest, rents, cable franchise fees, and miscellaneous income. This increase comes from a combination of factors including a slight increase in revenue from property taxes, state revenue sharing and increase in cable fees.

### **Past Policy Actions Affecting Revenue Levels**

- 1) Not levying the 1% Tax Administration Fee on Tax Bills. Unlike almost all other townships in Cass County, Ontwa Township has not used its authority to charge the 1% collection fee. If Ontwa Township did collect the fee, there would be approximately \$27,000 additional in revenue to particularly offset costs of tax assessing, collection, and other administrative costs. For the 2015-2016 Fiscal Year, the Board of Trustees has once again decided not to assess this fee on the property owners of Ontwa Township.
- 2) 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 \$90,000/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 2015-2016 Fiscal Year.

- 3) State Shared Revenue Adjustment downward. 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. However, we then reduced that dollar amount to account for uncertainties with the state sales tax revenue stream, as well as for any possible legislative actions (e.g. personal property tax exemptions limits) impacting the shared revenue to local townships.

### **Explanation of Changes in Revenues for FY 2015-2016**

1. No significant increases in tax revenues due to 'Headlee' rollbacks.
2. Prior years budgets for Ontwa Township showed Appropriations of "Prior Year Surplus Funds" and a "Budget Stabilization" allocation to balance the Proposed Budget. The current administration views this as impacting the General Fund reserves for budget purposes and could be confusing for township tax payers. So, this proposed budget is set to operate on only the funds we expect to receive in 2015-2016 and no deficit budget is projected.
3. No significant changes in the two (2) largest sources (State Shared Revenue and local operating millage) of funding township operations.

### **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. It also intends to not use any "saved" tax payer money from the General Fund to balance the budget on paper. The township board has worked to develop projected expenses of \$823,772 for the next fiscal year compared to budgeted expenses of \$933,753 for the current fiscal year to end on 3/31/2015. That represents over \$100,000 difference of reduced projected expenses.

In preparing the expense projection for next fiscal year, the new Board that assumed office in November 2014 (4 of the 7 BOT members are new as of 11/2014) was confronted with compensation type payments to township officials and some employees that were "in addition to" the statutory salaries. Such payments included \$150/month "car allowance" and substantial Health/Medical payments and insurance for less than full-time employees. A search of the Civil/Municipal Ordinance Book, as well as the Official Resolution Book/Log could not locate any Ordinance or Formal Resolution for such "extra payments."

To address this matter fairly, the Supervisor appointed a Compensation Committee made up of: Trustees J. Duck and J. Marchetti, and Treasurer M. Christenson to make recommendations to attempt to align the township pay practices. This expense budget provides funding allocations for those possible changes, but the compensation changes, if

any, must still be voted on by the Board via proper Ordinance and/or Formal Resolutions consistent with guidelines for Township Operations.

### **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 power 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.

#### Explanation of Changes in Costs

1. Salaries and Wages--The increase is necessary to provide each trustee with a \$500 salary increase.
2. No other significant changes are anticipated.
3. The Township has taken the recommendation of the ad-hoc Technology Committee and will acquire "Office 365" for computers in the Township to replace software that is 10 years old and outdated. The projected expense, \$2100/yr, will be charged this account.
4. This account area contains the sole contingency fund in the proposed budget. In the event unexpected costs arise, this account is where budget adjustments will be made from first.

### **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.

#### Policy Recommendations for Board Action

A policy and procedures manual is currently being prepared for the township. The purpose of this manual is to establish Board and Supervisor responsibilities, Township Board and Policies and Procedures, Ethics Policy, Financial Administration, Personnel Administration and Records Management.

#### Explanation of Changes in Costs

The compensation committee has recommended a salary increase to align as noted above

### **Elections—Activity 191**

The "elections" function is 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, printing election notices, etc.

Policy Recommendations for Board Action

None.

Past Policy Actions Affecting Service Levels or Current Costs

None

Explanation of Changes in Costs

The May 2015 ballot initiative election should be paid for by State Legislature since they have proposed to increase the sales tax. Recruitment and Training of election poll workers will continue.

**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 of assessment and tax rolls, mileage and travel, education and training and miscellaneous expenses. A new part-time assessor has been hired in February of 2015. He will assume his duties on April 1, 2015, the beginning of FY 2016. 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. Such physical reviews/assessments of existing parcels/structures has not been done on Ontwa for over a decade. This review is a State of Michigan priority, and it may increase tax revenue in future years.

Policy Recommendations for Board Actions

None.

Past Policy Actions Affecting Service Levels or Current Costs

None.

Explanation of Changes in Costs

No significant changes in activity are anticipated.

**Township Attorney—Activity 101-810, and 210**

Policy Recommendations for Board Action

As in past years the firm of Bauckham, Sparks and Lohrstorfer, Thall and Seeber continues to act as the Ontwa Township attorney.

#### Explanation of Changes in Costs Increase

Additional legal consultation is expected in areas where the prior board took actions without first seeking legal review.

#### **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, etc. Expenses include wages and salaries, office supplies, mileage and travel, education and training and miscellaneous expenses.

#### Policy Recommendations for Board Action

None.

#### Explanation of Changes in Costs

Salary of clerk to be aligned as noted previously.

#### **Township Board of Review—Activity 247**

The Board of Review (BOR) is a required function and meets during 3 short periods each Calendar Year. The BOR handles appeals to Property Tax Classifications, Equalized Values, PRE, Hardship Exemptions, and more.

#### Policy Recommendations for Board Action

None.

#### Explanation of Changes in Costs

None.

#### **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, new calculator 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 should also be 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 should be required.

#### Past Policy Actions Affecting Service Levels or Current Costs

None

#### Explanation of Changes in Costs

1. Salary of the treasurer recommended for increase by the salary committee. This increase reflects the elimination of the "car allowance" and medical insurance per year. In previous budgets this allowance has been part the total compensation of the position but was not apparent when first reading the township financial information. This allowance was eliminated from all positions to permit greater transparency in the budgeting process.
2. Office supplies budget reflects tax notices and postage for summer tax collections (costs reimbursable, but must be budgeted).

#### **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. 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.

#### Past Policy Actions Affecting Service Levels or Current Costs

The Township Hall and Grounds were never funded with a Restricted Fund to cover replacement of aging physical plant features (roof, HVAC, etc). The Board needs to look at an Asset Management Plan and a Restricted Fund Balance to mitigate against emergency expenditures in the future.

#### Explanation of Changes in Costs

Floor covering and wall repairs have been budgeted for, in addition to a culvert for the unpaved parking area south of the Town Hall. \$2500 was budgeted for A/V equipment to provide enhanced meetings for township residents.

#### **Cemetery Activity E10-40**

This activity is used to partially fund the maintenance of the Edwardsburg Cemetery.

#### **Police—Activity E10-45**

Activity is used to account for the Township's contribution to the Edwardsburg/Ontwa Police department that is governed by an 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 represents the single largest expenditure by Ontwa Township representing almost 20% of the available revenue each 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 large 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. This matter will be received for study during the next fiscal year.

#### Past Policy Actions Affecting Service Levels or Current Costs.

None, but see above.

#### Explanation of Changes in Costs

None this fiscal year

### **Streets----Activity E-10-50**

This activity supports street light and road maintenance throughout the township. There is a Special Assessment District for street lights that has charged too much in the past, and now has reduced assessments as the excess balance is used to pay for current expenses.

#### Policy Recommendations for Board Action

Monitor the impact of the May 2015 State Ballot Initiative which is to raise state sales tax by 1% to fund State and County Road repair. It is unclear if the potential new funding would be available for repair of Township/Local Roads.

#### Past Policy Actions Affecting Service Levels or Current Costs.

The Cass County Road Commission has reduced its share of Township Road repair to "90-10 match", with the township required to provide the 90% from the General Fund. There are no Road Repair Special Assessment Districts in Ontwa at the current time. The CCRC reduction to 10%, if it continues, will force an increase in costs for Ontwa in the years ahead.

#### Explanation on changes in costs

Costs are in line with previous expenditures.

**Township Waste Collection—Activity 526**

This is primarily the cost of the two (2) annual “Clean-up Days” for residents to dispose of unneeded items at the Township Hall.

Policy Recommendations for Board Action

None for the current practice. Going forward, part of this activity could be converted to recycling which could offset some of the costs.

Explanation of Changes in Costs

No major change.

**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 a member from each township and village boards and a member at large from the covered areas. The fire board meets on the first Monday of each month.

Policy Recommendations for Board Action

None.

Past Policy Actions Affecting Service Levels or Current Costs

1. Some emergency donations were made to the Ambulance Service in prior years. None are anticipated in FY2015-2016

Explanation of Changes in Costs:

The increase in costs reflect the decision for the board to increase meeting to once per month up from every other month to better track on going issues.

**Planning Commission—Activity 807 & 410(more appropriately)**

This activity, or cost center, is charged with costs related to the long-range planning function of the township.

Policy Recommendations for Board Action

The prior Board exempted the PC from preparing the Township’s Capital Improvement Plan (CIP), in lieu of Board action to develop. To date, Ontwa does not have a CIP. Consider assigning the CIP task back to the PC which is consistent with what most townships do.



### Past Policy Actions Affecting Service Levels or Current Costs

Prior Year funding reflected financial resources made available to implement the Master Plan that was adopted in November 2011. Some implementation progress has been made and is reported in the PC's Annual Report. Additional implementation is expected.

### Explanation of Changes in Costs

Adjustments/reductions made to provide for continued work on implementing the Master Plan at a steady pace. Additionally, money/funds are available to begin work on the Capital Improvement Plan,

### **Building Inspections Activity E15-15**

This activity is used to account for salary for zoning and building inspections, and pay for electrical, plumbing and mechanical inspections. It also included office supplies, legal fees, dues and office furniture and computers for the department. Payment for Inspectors follows the 80%-20% guidelines from the State of Michigan. 80% of Fees collected go to the Inspector, and 20% remain with the township to cover the fixed costs of this service.

### Explanation for the increases in cost:

1. This increase reflects the elimination of the "car allowance" of \$1800 per year. In previous budgets this allowance was part the total compensation of the position, but was not apparent when first reading the township financial information. This allowance was eliminated from all positions to permit greater transparency in the budgeting process.
2. \$3100 was allocated to cover projected costs to access a "Building Code & Standards Library" identified as crucial by the LARA department with the State of Michigan.

### **Parks—Activity 751**

Activity used to account for the salaries, payroll taxes, supplies, maintenance and utilities needed to operate and maintain and expand the Township's Park system.

### Policy Recommendations for Board Action

The township had a 5 year Parks & Recreation Master Plan for the period 2002-2007. The plan was not updated in 2007, and is now considered invalid. The Michigan Natural Resource Trust Fund will only award grants to municipalities that have a current Recreation Plan that meets State-wide Standards. The state grants can be used for trails, parks, and other recreational areas. Local "matching funds" are almost always required. The Board should consider funding and initiating an update to the prior "Parks Plan", as well as designating restricted Funds for future use.

### Past Policy Actions Affecting Service Levels or Current Costs

(See above explanation)

**Capital Outlay—Activity 970**

This activity is used to account for “non-departmental” capital outlay improvements and equipment that benefit all departments.

Policy Recommendations for Board Action

Review GASB and GAAP accounting to ensure Capital improvements are not expensed as they might have been in the past.

Past Policy Actions Affecting Service Levels or Current Costs

None.

Explanation of Changes in Costs

Projects will be charged here as provided for by GASB and GAAP principles

**Other Financing Uses – Operating Transfers—Activity 965**Policy Recommendations for Board Action

The Board will begin to consider designating any operating surplus to “dedicated/restricted” funds to build funding for needed future infrastructure, Building and Grounds Capital outlays, and parks/recreation investments

Past Policy Actions Affecting Service Levels or Current CostsExplanation of Changes in Costs

None. No transfers planned for the fiscal year.

**Debt Service—Activity 990**

This activity used to account for debt payments on any Township’s installment loan under “Act 99”.

Policy Recommendations for Board Action

None.

Past Policy Actions Affecting Service Levels or Current Costs

None.

Explanation of Changes in Costs

NO LOANS of this type are outstanding.

## **Budget Summary**

### Explanation of Changes in Revenues and/or Expenditures.

See Detailed Revenue Accounts: Page 1 and 2.

See Detailed Expenditure Accounts and Activities: Page 2 to 10 .

### Explanation of Changes in Fund Balances - From Prior Year to Budget Year

Projected Fund Balance of \$ \_TBD represents a change of \_\_TBD over TBD of current revenue, and is sufficient to serve both as an “operating reserve” (TBD of current revenues) as well as “savings” for future one-time projects and capital outlays. (Note: Fund balance calculations will be updated prior to the Budget Hearing, but are ALL positive.

### **NOTES:**

1. This is the first Budget Narrative prepared by the Township for review by property owners, residents and other interested parties. Questions can be directed to any Township Official, or to the authors listed below.

2. The township will expand the use of sub-account numbers in the new fiscal year to enable finer detail for review/analysis. The BOT will also review the budget at each Board Meeting, as an Agenda item, and will make re-allocations within the budget as required by Michigan law.

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