

BUDGET NARRATIVE
3/24/2017
ONTWA TOWNSHIP
PROPOSED FISCAL YEAR 2016-2017

This document details the development of the proposed FY 2016-2017 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, 2016.

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 \$884,542 for FY 2016-2017 vs. last year's projection of \$714,796. The change is based on the current revenue estimates for the fiscal year and \$124,000 from the general fund for capital improvements.

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

- 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. For the 2016-2017 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 \$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 2016-2017 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 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 2016-2017

- No significant increases in tax revenues due to ‘Headlee’ rollbacks.
- There is a slight increase in revenue in the two (2) largest sources (State Shared Revenue and local operating millage) of funding township operations. This increase does not represent a tax increase on the individual tax payer.
- \$124,160 has been transferred for the general fund to support capital projects. This will reduce the general fund by that amount. All normal operations of the township will be funded through current revenue.

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 \$884,542 for the next fiscal year compared to budgeted expenses \$714,362, for the current fiscal year to end on 3/31/2016. That represents an increase of \$176,948 over the previous fiscal year.

In preparing the expense projection for next fiscal year, the Board has assumed the following:

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

- Salaries and Wages The township secretary has been given a 3% wage increase and \$5,000 have been included for future wage increases during the FY17 subject to approval of the compensation committee..

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 has been 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 that salaries for all employees be reviewed by the compensation committee and adjusted accordingly. This will occur in FY2017 . The intent is to keep the compensation in our township consistent with other similar sized townships.

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. Some new voting equipment will be required this year. The total cost of \$18,000 is included in the budget. Some reimbursement by the state is possible but has not been included in this budget.

Policy recommendations for Board Action

None

Past Policy Actions Affecting Service Levels or Current Costs

None

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. We are in the second year of this program. The on-site review of property/parcels 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 & Seeber continues to act as the Ontwa Township attorney.

Explanation of Changes in Costs Increase

None

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.

Policy Recommendations for Board Action

None

Explanation of Changes in Costs

The township secretary has been give a nominal 3% wage adjustment. All other salaries will remain the same as the current FY year.

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.

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, 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

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.

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.

Explanation of Changes in Costs

Budget new blinds and a new awning are budgeted for this year.

Cemetery Activity E10-40

This activity is used to partially fund the maintenance of the Adamsville Cemetery. Increase of \$1,000 was incorporated into this year's budget. This the first increase in more than a decade.

Police-Activity E10-45

Activity is used to account for the Township's contribution to the Edwardsburg/Ontwa Police department that is governed by and 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 reviewed 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.

Past Policy Actions Affecting Service Levels or Current Costs

The Cass County Road Commission has maintained the same 90-10 match as FY 2016. This is down considerably from previous years where the township received 30% in matching road funds. This increases the cost to the township for normal road repair and maintenance. There are no Road Repair Special Assessment Districts in Ontwa at the current time. The CCRC reduction to 10%, if it continues, will force increase costs for Ontwa in the years ahead.

Explanation on changes in costs

Local road projects/cost has been increased for FY 2016-2017 from \$30,000 to \$105,000. This increase bring the funding level to approximately what it has been in years prior to 2015.

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 and routine trash pickup at the township hall. Also included is the routine trash removal from township facilities.

Policy Recommendations for Board Action

None for the current practice.

Explanation of Changes in Costs

There was a slight increase due to costs associated with the cleanup days

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.

Policy Recommendation for Board Action

None

Past Policy Actions Affecting Service Levels or Current Costs

Some emergency donations were made to the Ambulance Service in prior years. None are anticipated in FY 2016-2017

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. The ambulance meets on the second Tuesday @ 6:30pm at the Village Hall.

Planning Commission-Activity 807 & 410

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

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 Planning Commission'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 the inspector, and 20% remain with the township to cover the fixed costs of this service.

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 has been updated in 2015. 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. Capital outlay in FY17 is estimated to be \$124,160. There may be additional expenses that are capitalized rather than expensed in FY17. These expenses are included in this budget.

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 Costs

Explanation 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 Cost

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 11.

Explanation of Changes in Fund Balances – From Prior Year to Budget Year

Estimated General Fund Balance as of March 31, 2016 is projected to be at least \$780,000

The General Fund at the end of FY 2017 is projected to be approximately \$700,000. This decrease is due to the use of general fund monies for capital projects in FY17.

NOTES:

1. This is the second Budget narrative prepared by Ontwa Township for review by property owners, residents and other interested parties. Questions can be directed to any Township Official.
2. The township will expand the use of sub-account numbers in the new fiscal year to enable finer detail for review/analysis within each activity grouping. The BOT will also review the budget at each board meeting, as an Agenda item, and will make re-allocations within the budget category as required by Michigan Law.
3. Some budgeting line items have been consolidate, such as office supplies and office equipment have been consolidated into one under "office mismanagement" facilitate tracking of these accounts .

Prepared by:

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March 24, 2016