Our Waterfront Community

Escanaba

Soak it Up!

2014-2015 BUDGET

CITY OF ESCANABA

2014-2015
BUDGET

Presented to Council	March 28, 2014
Final Adoption by Council	
Ordinance Adoption by Council	

CITY OF ESCANABA
City Council

Marc D. Tall

Mayor

Ronald J. Beauchamp

Mayor Pro-Tem

Patricia A. Baribeau

Council Member

Ralph B. Blasier

Council Member

Vacancy

Council Member

CITY OF ESCANABA

ADMINISTRATION

City Manager
James O'Toole

City Clerk
Robert Richards

Public Safety Director
Ken Vanderlinden

City Assessor
Daina Norden

City Engineer/PW Superintendent
William Farrell

City Treasurer/HR Director
Robert Valentine

City Controller
Michael Dewar

Planning/Zoning
James O'Toole

Superintendent of Water/Wastewater
Jeff Lampi

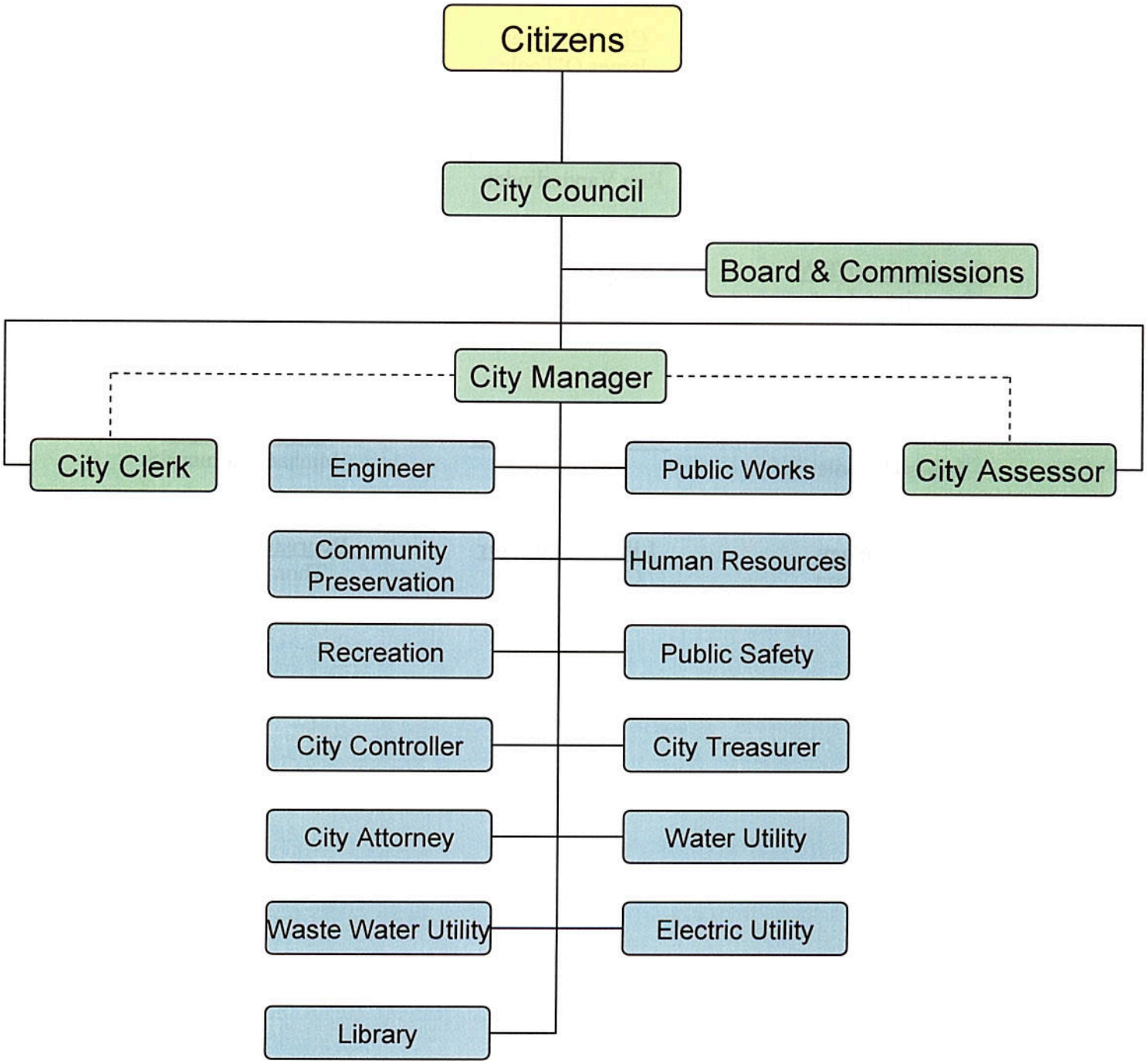
Electric Superintendent
Michael Furmanski

City Attorney
Ralph Peterson

Library Director
Carolyn Stacey

Recreation Director
Thomas Penegor

City of Escanaba
Organization Chart



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BUDGET PROCESS

The development and adoption of the City's budget is based upon requirements as set forth in the City Charter and Act 2, P.A. of 1968 of the State of Michigan, the "Uniform Budgeting and Accounting Act". The following is a summary of the significant legal requirements and City policies which govern the budget process.

Act 2, Public Acts of 1968 of the State of Michigan requires a formal budget for all funds except Internal Service, Enterprise or Public Improvements/Building and Site funds, which require an "informational summary" in lieu of a formal budget. The City Charter requires submission of the budget to the City Council no later than two months prior to the beginning of the ensuing fiscal year, which begins July 1. The City Charter further defines the information required to be presented in the budget and the requirements of a public hearing prior to adoption. The City Charter and State law also require that an appropriations ordinance be adopted, based on the approved budgets, no later than one month prior to the beginning of the ensuing fiscal year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

As prescribed by State law, the City's general appropriations ordinance must include all Governmental and Expendable Trust Fund types. This includes the General Fund, all Special Revenue Funds, all Capital Projects Funds and all Expendable Trust Funds. Proprietary Funds do not require inclusion in the general appropriations ordinance.

The general appropriations ordinance prescribes the legal expenditure limits for all funds required to be included in the ordinance. The level of control for each fund is based upon the level to which the ordinance details it. Most budgets are adopted on a fund basis, but the General Fund is adopted to the activity level of various functions or programs within the General Fund. Administrative control of expenditures is maintained through the utilization of the detailed line item budgets upon which the appropriations ordinance is based.

The City Charter states that at any meeting after the passage of the general appropriations ordinance, with at least one week's printed notice in a City newspaper, the Council may amend the general appropriations ordinance. Budget amendments may be required due to several factors: receipt of outside grants during the year, expenditures for unanticipated developments and for projects continuing over two fiscal years. Unexpended appropriations lapse at year-end.

The preparation of the budget begins in December of the prior fiscal year with the distribution of budget worksheets and instructions from the Controller's Office to all departments. Budgets are submitted by the various departments and are presented to the City Manager as "requested" funding. During January and February, budgets are reviewed by the City Manager and the department heads, with "recommended" funding levels based on (1) goals established by the City Council, (2) available and anticipated funding sources and (3) other financial and administrative concerns and goals. Based upon these reviews, a document is prepared for presentation to the City Council in the form of a "Proposed Budget".

During the budget formulation period of January through March, a minimum of three Public Hearings are held during the regularly scheduled Council meetings in order to encourage public input into the budget process. The hearings, which are publicized in the local media, request comments or suggestions for the institution, deletion and increased/decreased funding for any programs normally associated with standard municipal operations. By requesting the input during this time period, comments can be more easily incorporated into the budget process than they can be during the final, formal budget adoption hearing.

In April, the Proposed Budget is presented to the City Council as formulated by the City Manager. Budget work sessions, open to the public, follow the presentation and represent the City Council's detailed review of all the City's budgets. Based on these hearings, the Council determines the "final" funding levels of all municipal operations.

In May, based on Charter requirements, two public hearings are held on the Proposed Budget, at which time any changes can be made to the "final" documents based on majority approval of the City Council. The City budget is formally adopted by the City Council at the second of the two May hearings described above. The adopted budget represents administrative expenditure levels authorized by the City Council. Additionally, May hearings result in the adoption of the General Appropriations Ordinance, which sets the legal limits of expenditures, and the Tax Levy Ordinance, which sets the millage rate of the ensuing fiscal year.

GLOSSARY OF TERMS

ASSESSED VALUATION
The value placed upon property, equal to 50% of market value, as required by State law.

BUDGET AMENDMENT
Adjustments made to the budget during the fiscal year, by the City Council, to properly account for unanticipated changes which occur in revenues and/or expenditures and for program initiatives approved during the fiscal year.

CAPITAL OUTLAY
Expenditures relating to the purchase of equipment, facility modifications, land and other fixed assets.

DEBT SERVICE
The planned accumulation of revenues and appropriation of expenditures for the retirement of long-term debt principal and interest.

FINAL BUDGET
Adopted by the City Council based on the City Manager's proposed budget, public hearings and Council goals and direction, this document sets administrative levels for revenues and expenditures for City programs. This document is the basis for the general appropriations and tax levy ordinances, which set legal expenditure limits.

FISCAL YEAR
A twelve-month period designated as the operating year for an entity. The fiscal year for the City of Escanaba is July 1 – June 30.

FUND
An independent fiscal entity with a self-balancing set of accounts recording its revenues and expenditures.

FUND BALANCE
An excess of revenues over expenditures, segregated by fund.

GENERAL APPROPRIATIONS ORDINANCE
Adopted by the City Council based on the final budget, this sets the legal expenditure limits for all funds which require formal appropriations under State law.

MILL
A taxation unit equal to one dollar of tax obligation for every $1,000 of taxable valuation of property.

MILLAGE
The total tax obligation per $1,000 of taxable valuation of property.

ORGANIZATION CHART
A chart representing the authority, responsibility and relationships among departmental entities within the City organization.

PROPOSED BUDGET
The City's revenue and expenditure plan for the fiscal year, as prepared and recommended by the City Manager, for City Council consideration.

STATE EQUALIZED VALUATION (SEV)
The assessed valuation of property in the City, as determined by the local Assessor and then reviewed and adjusted, if necessary, by the County and the State, to assure that it equals 50% of market value, as required by State law. While used in the tax bill calculation process, SEV is not the value upon which property taxes are calculated.

TAXABLE VALUE
The value of property upon which the millage rate is applied to calculate property taxes. This amount is based upon the lower of State Equalized Valuation (SEV) or the "capped " value, which equals the prior year's taxable value adjusted by the Consumers Price Index (not to exceed 5%), adjusted for additions and losses.

TAX BASE
The total taxable value of property in the City.

TAX LEVY ORDINANCE
Adopted by the City Council based on the final budget and the revenues required to fund the plan, this sets the millage rate for City property taxes for the ensuing year.

FUND DESCRIPTIONS

The City of Escanaba provides a full range of services, including public safety, garbage collection, street construction and maintenance, traffic signalization, planning and zoning, parks and recreation, marina, library, public works, economic development and general administrative revenues. Additionally, the City operates electric, water and wastewater utilities.

The diverse nature of these operations and the necessity of assuring both legal compliance and fiscal accountability preclude recording and summarizing all transactions and balances in a single accounting entry. Based on both legal and technical requirements, City operations are treated as a combination of many distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each set of accounts is termed a fund, which is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Again, due to the diverse nature of the City's operations, in addition to having a variety of funds, there are also several classifications of funds. The classification of a fund determines how budgeting and accounting rules are applied. As an example, the General Fund of the City is considered a governmental fund, which dictates that capital outlays, regardless of amount or the life of the acquisition, be treated as expenditures while the Electric Fund, which is considered an enterprise fund, treats capital outlays as additions to the balance sheet to be annually expended over the acquisition's expected life by a charge to depreciation.

The following information provides a brief description of the different classifications of funds, which are in use for City accounting purposes.

GOVERNMENTAL FUNDS

Governmental funds are accounted for using a spending measurement, or cash-flow, focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their fund balance (net current assets) is considered a measure of "available spendable resources". The following are different varieties of governmental funds:

General Fund – to account for all financial resources except those to be accounted for in another fund.

Special Revenue Funds – to account for revenue sources that are legally restricted to expenditure for specific purposes.

Capital Projects Funds – to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those finances by proprietary funds, Special Assessment Fund and Trust Funds.

Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term principal and interest.

PROPRIETARY FUNDS

Proprietary funds are accounted for using a capital maintenance measurement focus. This means that total assets and total liabilities associated with their operations are included on their balance sheets. Their net assets are segregated into several different components. The following are different varieties of proprietary funds:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises, where the interest is that all costs of procuring goods and services be financed or recovered through user charges.

Internal Service Funds - to account for the financing of goods or services between departments on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are accounted for in two manners, depending on the specific fund type. Expendable Trust Funds are a spending measurement focus. Non-expendable Trust Funds and Pension Trust Funds use a capital maintenance focus. Agency funds are custodial in nature and do not involve measurement of results of operations.

Below is a classification and brief description of each fund, which the City of Escanaba maintains:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The main revenue sources for General Fund expenditures include property taxes and State shared revenues.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. Special revenue funds used by the City are as follow:

Major Street Funds – This fund accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under State law. The main revenue source for Major Street Fund expenditures are gas/weight taxes collected and distributed by the State.

Local Street Fund – This fund accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under State law. The main revenue source for Local Street Fund expenditures are gas/weight taxes collected and distributed by the State and transfers from various City funds.

Grants Fund – This fund accounts for revenues from various sources, including City matching shares, received under one-time grants. Expenditures are restricted to accomplishing the goals as defined in the individual grant offers.

Library Fund - This fund accounts for revenues and expenditures directly attributable to Library operations. The main revenue sources for Library Fund expenditures include a County-shared penal fines and a transfer from the City's General Fund.

Land Development Fund – This fund accounts for revenues and expenditures in connection with the development and sale of City-owned land. It was established to provide on-going financing for water, sewer, storm sewer and street development in the City's industrial parks. The main revenue sources for Land Development Fund expenditures include land sales and interest earnings.

Downtown Development Authority Fund – This fund accounts for revenues and expenditures in connection with developing and maintaining the Downtown Development Authority District. The main source of revenue for DDA Fund expenditures are Tax Increment Financing (TIF) tax receipts.

Brownfield Authority Fund – The main source of revenue for Brownfield Authority Fund expenditures are Tax Increment Financing (TIF) tax receipts. Expenditures are restricted to property improvements, with a goal of providing land owners with a number of incentives to return abandoned or obsolete properties to functional uses.

Housing Rehab Fund – These funds are used to account for various sources of revenues, which are utilized for the purpose of upgrading the City's housing stock. The funds are separated to account for different funding sources and different purposes, including rehabilitation of both investor-owned buildings and owner-occupied housing.

Revolving Loan Funds – These funds were established to account for funds granted to the City to make loans to concerns which show the capacity for the creation of jobs. The EDA Revolving Loan Fund was established through the U.S. Department of Commerce, under its Economic Development Administrator's Title IX Adjustment Implementation Program. The MSC Revolving Loan Fund was established through the Michigan Department of Commerce Small Cities Program. Under each grant, loan repayments, including interest, are used to make further loans to concerns meeting specific criteria. These funds are not included in the grants fund, which includes only expendable grants, as this fund will be used to account for the Revolving Loan Fund proceeds after the initial funds have been expended.

Farmers Home Grant Fund – This fund accounts for revenues and expenditures in connection with a grant received from the Farmers Home Administration to assist a local property owner in the rehabilitation of industrial rental property. The original program resulted in a combination grant and loan to the developer, with the loan portion to be repaid to the City and used for similar future programs.

Parking Maintenance Fund – This fund accounts for revenues and expenditure related to the maintenance of parking lots. The main revenue sources for Parking Maintenance Fund expenditures include a contract with the DDA and a transfer from the City's General Fund.

Urban Development Action Grant – This fund was established to account for funds granted to the City by the U.S. Department of Housing and Urban Development to make a loan to the DIAL Corporation to be used for Delta Plaza improvements and related expenditures. Collection of interest and principal on this loan must be used for economic development activities.

Sanitary Landfill Fund - This fund is used to record receipts from the monthly billings of the garbage collection fees; the funds are ultimately transferred to the General Fund.

Drug Law Enforcement Fund - This fund is used to record the receipt of forfeiture funds obtained from the sale of property determined to be connected to the sale of illegal drugs; the funds are ultimately transferred to the Upper Peninsula Substance Abuse Team to provide funding for drug enforcement activities.

Delta County Central Dispatch Authority Fund - This fund is used to record the revenues and expenses associated with the City's providing county-wide dispatching services to the Delta County Central Dispatch Authority.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Main revenue sources include Federal and State grants and City matching shares from a variety of City funds. No capital projects are proposed for 2014/2015.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise Funds used by the City area as follows:

Electric Utility Fund - This fund is used to record the operations of an electrical utility.

Water Utility Fund - This fund is used to record the operations of a water system.

Wastewater Utility Fund - This fund is used to record the operations of a wastewater system.

Marina Fund – This fund accounts for the operation of the City marina and is required under a grant agreement with the State of Michigan. The main source for the Marina Fund expenditures includes user fees and various grant programs.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. Internal Service Funds used by the City are as follows:

Escanaba Building Authority – This fund accounts for the loans and repayments in connection with the City's Public Works/Purchasing Complex and the City Hall/Library Complex construction projects.

Health/Dental Insurance Fund – This fund is used to account for the City's partial self-insured employees' health and dental insurance programs.

Motor Vehicle and Equipment Fund – This fund accounts for the cost of acquiring, maintaining and providing vehicle and equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Office Equipment Fund – This fund accounts for the cost of acquiring, maintaining and providing various office equipment usages to various City departments. Such costs are billed to user departments in the form of rents.

Risk Retention Fund – This fund is used to account for the City's general liability and property partial self-insurance program.

Workers' Compensation Fund – This fund is used to account for the City workers' compensation self-insurance program.

Unemployment Compensation Fund – This fund is used to account for the City's unemployment compensation self-insurance.

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for the assets held by the City in a trustee capacity or as an agency for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Non-expendable Trust, Pension Trust and Agency Funds. Non-expendable Trust and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical

Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature and do not involved measurement of results of operations. Trust and Agency Funds for the City are as follows:

Expendable Trust Funds:

Catherine Bonifas Fund – This fund accounts for monies received of a bequest under the Last Will and Testament of Catherine Bonifas.

Bezold Trust Fund – This fund accounts for monies received of a bequest under the Last Will and Testament of Margaret A. Bezold. Under the terms of her bequest, these funds can only be used for library purposes.

Non-expendable Trust Funds:

Gas Retirement Fund – this fund accounts for funds received from the sale of the City's Gas Utility in June 1965, to Michigan Consolidated Gas Company. By a voter referendum on November 2, 1965, the City is prohibited from expending any principal resulting from the sale. Additionally, the interest earned from the investment of the principal must be spent on "capital improvements" only.

Pension Trust Funds:

Public Safety Pension Fund – This fund is used to record the operations of the Public Safety Employees Retirement System.

Agency Funds:

Tax Collection Fund – This fund is used to account for the collection and payment of amounts received by the City in an agency capacity for governmental units assessing a property tax on property within the City limits.

2014-2015 BUDGET SUMMARY

The following tabulation represents a summary of the majority of the City's funds, revenues and expenditures, as an illustration of the scope of the municipal operations. Internal service funds are not included, as revenues for these funds are recorded as expenditures in various funds and inclusion would result in an overstatement of expenditures. Of the fiduciary funds, only the Gas Retirement Fund and Catherine Bonifas Fund are included. Capital expenditures are not included for the utility funds.

Where applicable, use of fund balance is shown as a revenue source, as prescribed by State Law. It is important to note that this schedule is not prepared according to Generally Accepted Accounting Principles, as there are no eliminations of inter-fund transfers.

	Revenues	Expenditures
General Fund	$ 7,666,466	$ 7,664,995
Major Street Fund	859,388	859,388
Local Street Fund	654,872	654,872
Library Fund	531,274	531,274
Land Development Fund	83,500	83,500
D.D.A. (Downtown Development Authority)	347,976	347,976
Catherine Bonifas Trust Fund	100,000	100,000
Delta County Central Dispatch Authority	716,816	716,816
Revolving Loan Funds (4)	78,250	4,700
Parking Maintenance Fund	43,000	43,000
Gas Retirement Fund	20,000	17,000
TOTAL CITY OPERATIONS	$ 11,101,542	$ 11,023,521
Enterprise Operations:		
Electric Utility Fund	$ 13,375,550	$ 13,418,223
Water Utility Fund	2,175,950	1,990,707
Wastewater Utility Fund	1,392,000	1,385,364
Marina Fund	242,950	272,804
TOTAL UTILITY OPERATIONS	$ 17,186,450	$ 17,067,098
GRAND TOTAL	$ 28,287,992	$ 28,090,619