

Summary of Midland's City Budget & Services

Midland is a small city with a big commitment to quality of life, progressive change, a healthy economy and neighborhoods that are good places for people to live.

The City of Midland has one of the lowest tax rates while providing some of the most extensive residential services in the State of Michigan. A recent survey of Bay City, Saginaw and Mt. Pleasant showed that Midland has twice the park land of the three cities combined.



We have much to be proud of and grateful for.

The services that people in Midland expect from City government - like police and fire, water, good streets, and parks and recreational activities - are important for a healthy community. These services are also expensive to provide. Since Midland residents are affected both by the level of service the City provides and by the taxes it levies, it's very important to balance one with the other.



As a city of Midland resident, you give up part of the money you earn to pay property taxes that support the City budget. It's only fair and right that you help identify what should be the most important budget priorities for Midland.

The information provided in this document gives a general overview of City services and funding sources, mostly as they apply to the 2004-2005 City budget. The 2004-2005 fiscal year will end June 30, 2005, and the Midland City Council will need to adopt a 2005-2006 budget.



As a participant in a community roundtable discussion, you will be asked to provide your ideas and opinions on City services and funding sources.

You are a valuable part of this community, and the City of Midland thanks you for your participation.

\$72 Million Total City Budget

Special Revenue Funds are for those services that are provided by the City but receive the majority of funding from a source other than your city tax dollars. Special revenue funds are designed to account for revenues that are restricted for a specific purpose or expenditure. They are as follows:

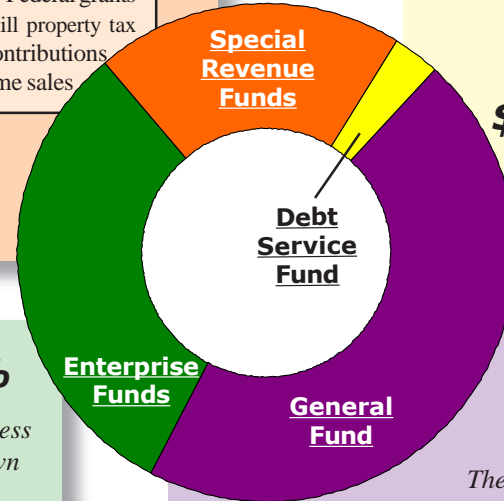
<i>Fund</i>	<i>2004-05 Budget</i>	<i>Funding Source(s)</i>
Major and Local Streets	\$ 5,200,000	State highway funds & County road millage
Grace A. Dow Memorial Library	\$ 3,700,000	Fees & a \$2.9 million general fund subsidy
Storm Water Management	\$ 2,200,000	State highway funds & property taxes
Dial-A-Ride Transportation	\$ 1,400,000	Federal & State grants, & a \$600,000 general fund subsidy
Midland Community Television (MCTV)	\$ 600,000	Cable TV franchise fee
Community Development Block Grant Prgms. ...	\$ 400,000	Federal grants
Downtown Development Authority	\$ 400,000	Tax increment financing & 2 mill property tax
Special Gifts and Trusts	\$ 400,000	Community contributions
Midland Housing (Low Income)	\$ 200,000	Program home sales

Special Revenue Funds
\$14,500,000 20%

The 2004-05 City of Midland budget* was set by the City Council at just over \$72 million.

The budget is broken into four different funds that have different purposes, revenue streams and expenditures. They are shown below.

Revenue sources are broken out on the next page.



Debt Service Fund
\$1,900,000 3%

The Debt Service Fund uses property taxes for repaying certain long-term debt that the City has incurred for major capital improvement projects like wastewater system improvements or the new civic arena.

Enterprise Funds \$22,200,000 31%

Enterprise Funds are for those City services that operate like a private business in that these activities are self-supporting. These activities generate their own income to cover the costs of providing the service.

<i>Fund</i>	<i>2004-05 Budget</i>	<i>Revenue Source(s)</i>
Water	\$ 11,300,000	Water/sewer bill
Wastewater	\$ 4,400,000	Water/sewer bill
Landfill	\$ 3,200,000	Disposal fees
Senior Housing	\$ 2,300,000	Rent
Currie Golf Course	\$ 900,000	Greens fees
Downtown Parking ...	\$ 100,000	Meters, leased spaces & parking tickets

General Fund
\$33,500,000 46%

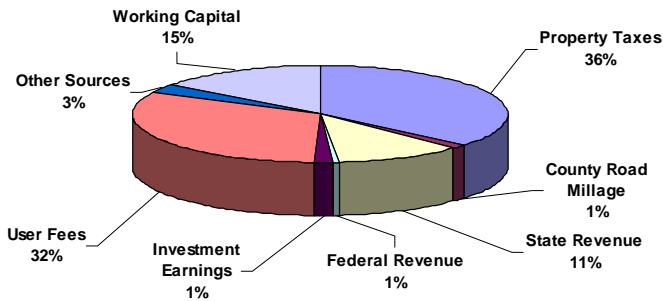
The General Fund includes all those programs and services funded by the tax dollars you pay to the City of Midland.

<i>Fund</i>	<i>2004-05 Budget</i>
Public Safety	\$ 10,600,000
General Government	\$ 4,600,000
Parks & Recreation	\$ 3,800,000
Public Works	\$ 2,000,000
Sanitation	\$ 2,000,000
Contingency Reserves	\$ 350,000
Airports	\$ 250,000
Other Functions**	\$ 9,900,000

**This information is a simplified overview of the 2004-05 City budget. To review the budget in greater detail, a copy of it is located online at www.midland-mi.org in the departments/fiscal services area or at the Government Information Center near the reference desk at the Grace A. Dow Memorial Library. Fund amounts are rounded.*

***General insurance, general construction, retiree health insurance, tax appeal defense, risk management, miscellaneous*

Budget Revenue Sources



Revenue \$72,000,000

Revenues for City services, programs and operations are derived from various **Funding Sources**.*

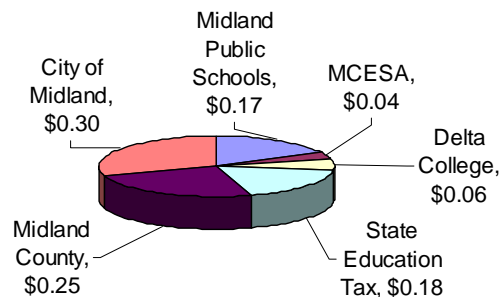
Source	2004-05 Budget
Property Taxes	\$ 33,500,000
User Fees	\$ 25,000,000
State Shared Revenues	\$ 9,000,000
Other Sources	\$ 2,000,000
County Road Millage	\$ 1,000,000
Investment Earnings	\$ 1,000,000
Federal Grant Revenue	\$ 500,000

*Amounts are rounded.

General Information

Distribution of Your Tax Bill...

The City of Midland bills and collects taxes on behalf of all the other local governments and school districts. The City receives about 30 cents of every tax dollar you pay. Here is how the rest of your tax dollar is allocated...



Graph applies to homestead property

Budget Challenge...

Just like your household budget, the City's budget is affected greatly by the amount of income the City receives and by the rising costs of goods and services. Here are some of the specific challenges the City faces:

State Shared Revenues and Investment Earnings Down

In the current budget, the City expects to receive nearly \$800,000 less in State Shared Revenues — sales tax money the City receives from the State of Michigan — than it did four years ago. Much of this loss is due to today's economic climate and problems the State has with its budget.

Also due to the unfavorable economic climate, City investments are expected to generate \$2 million less than they did 4 years ago.

Declining Tax Base

One of the biggest contributors to Midland's budget concerns in recent years is that the taxable value of property is growing at a very slow pace. The taxable value of property generates 76% of the City's General Fund "income" to fund basic services. For 2004-05, the city's taxable value of property increased only 1.24% while the rate of inflation, which drives City costs, increased by 1.9%.

Business and industry help to grow the tax base by constructing and equipping new industrial and commercial facilities in the City of Midland. In recent years, the City has experienced slower tax base growth — again, as a result of unfavorable economic conditions that have limited commercial and industrial taxpayers' ability to construct and expand investments in our community.

Costs Up

In addition to the annual inflation increases, the City has also been hit hard with substantial increases in the costs of health insurance and property liability insurance, adding nearly \$1 million of expenditures to the City's total budget.

User Fees - Manage Demand & Generate Revenue

Consider this: Industrial taxpayers do not receive many residential services, like refuse collection, yet they pay 51% of the cost for such services. That means that residents pay only 37% of the residential services that they probably use every week. Commercial property owners contribute 12% of taxes and consume 10% of services.

User fees are one way to allocate the costs of a service to the individual receiving the benefit. Most recently, Midland City Council implemented a new user fee for those persons who want to reserve a city picnic shelter in advance.

User fees also help manage the demand for a service. When the City implemented the annual yard waste fee, the amount of yard waste collected by the City decreased by almost one-third because many residents chose to mulch or created a backyard compost pile instead of paying the user fee.

Comprehensive List of General Fund User Fees

User fees come in various shapes and sizes. This is a comprehensive list of all the revenues generated from user fees that are part of the General Fund in the 2004-05 City budget.

<u>User Fee</u>	<u>Revenue Generated</u>	<u>Millage Equivalent</u>
Skating & Civic Arena Fees	\$536,000	.2145
Licenses & Permits	481,650	.1927
Library Twp. Contributions (Library Fund)	202,524	.081
Library Fines, Fees, Other (Library Fund)	184,600	.0739
Customer Fares (DART Fund)	120,000	.048
Cemetery Fees	118,000	.0472
Yard Waste Fee	95,000	.038
Barstow Airport Leases, Other	83,600	.0335
Softball Registrations	65,000	.026
Swimming Pool	45,000	.018
OUIL & Public Safety Charges	33,000	.0132
Other Recreation	24,500	.0098
Total User Fees	\$1,988,874	.7958

Tools the City Looks at When Considering Budget Options...

Methods for Decreasing Expenses...

- Service efficiency & productivity improvements
- Eliminate or reduce a service

Example...

Consolidation of heavy refuse collection routes; hiring contractors who can provide a service more efficiently like the collection of curbside recycling

City no longer provides commercial refuse collection; City closed Central Park Pool but maintains outdoor swimming at Plymouth Pool and Stratford Beach

Methods for Increasing Revenues...

- Increase existing user fees
- Implement new user fees
- Increase the millage rate
- Implement a city income tax

Example...

Each year, parks and recreation fees are evaluated and adjusted accordingly

Park shelter reservation fee

A 1 mill increase would provide approximately \$2.5 million in property tax revenue

This option has never been considered and would require a vote of the citizens of Midland