

# At Your Service...

A Newsletter for the Citizens of the City of Midland

April 1999



## It's Budget Time in the City of Midland...

We invite you to take a few minutes out of your busy day to review the major highlights of the City of Midland's Proposed 1999-2000 Budget.

### 1999-2000 Proposed Budget Highlights

#### Operating Millage Decrease

- no change in the number of City services you currently receive at the quality you've come to expect and...
- a decrease in the actual expenses to provide these services from \$27.7 million to \$27.4 million, plus...
- a 4% increase in the City's taxable value...

*...have led to the recommendation that the City's operating millage decrease from the current millage rate of 8.51 mills to 8.04 mills. The operating millage funds all general fund services including public safety, public works, sanitation, and parks and recreation.*

#### Debt Service Millage Decrease

- a decrease in the City's required payments for debt principal and interest and...
- an increase in Midland's total taxable value...

*...have contributed to the budget recommendation that the Debt Service millage rate decrease from 0.60 mills to 0.55 mills. The Debt Service millage rate is used to fund payments on our long-term debt for outstanding sewer bonds.*

#### Creation of a New Stormwater Management Fund

- to address our citizens' requests for a higher level of storm sewer and open drain maintenance and...
- to provide for additional storm sewer improvements, plus...
- create a cost center that focuses on these services...

*... the proposed budget establishes a new stormwater management fund financed by a .29 mill property tax levy.*

#### Tax Appeal Reserve Millage Increase

- to fully fund the City Council's policy of establishing a reserve equal to 80% of the potential tax losses from the tax appeals filed by Dow, Dow Corning & MCV...

*...the proposed budget recommends increasing the Tax Appeal Reserve Millage from 2.49 to 3.24 mills. (See sidebar story)*

#### Overall Millage Rate Increase

*... together these budget initiatives result in a proposal to increase the overall City of Midland millage rate from 11.60 to 12.12. Refer to the table on the back page to see how the millage rate increase affects a typical homeowner.*

#### About the Tax Appeal Reserve Fund...

Beginning in 1997, Midland's three largest taxpayers, The Dow Chemical Company, Dow Corning Corporation and Midland Cogeneration Venture, filed annual tax appeals that have accumulated to create a potential tax loss of \$22.7 million to the City of Midland and \$87.8 million to other taxing units including Midland Public Schools, the County of Midland, MCESA and Delta College.

The tax appeals are the most significant issues addressed in the 1999-2000 proposed budget and present two big challenges for the City of Midland.

The first challenge is how to best prepare our community for the potential of having to repay \$22 million worth of property taxes and tax administration fees to Dow, Dow Corning and MCV if the tax appeals are successful.

Considering that the City's entire general fund budget is

The proposed millage rate increase would have the following effect on the median residential property which has a market value of \$90,000 and a taxable value of \$45,000:

	1998-99 City Tax Bill	1999-00 Proposed City Tax Bill	Difference
Operating Millage	\$383	\$362	-\$21
Debt Service Millage	\$ 27	\$ 25	-\$ 2
Stormwater Management	\$ 0	\$ 13	+\$13
Tax Appeal Reserve Fund	\$112	\$146	+\$34
Total	\$522	\$546	+\$24

### Highlights -- Other Funds

#### Major & Local Street Fund...

...the proposed budget allocates \$2.1 million for the major and local street construction projects identified by City Council in January

#### Enterprise Funds...

City services which generate their revenue completely through user fees are called "Enterprise Funds."

...the water fund proposes a 3.5% rate increase

...the wastewater fund proposes a 4% rate increase

These proposed rates are consistent with previously adopted long-range financial plans for each fund

tax appeals, continued...

\$29.4 million, it's unrealistic to expect that enough expenditures to fund this liability could be cut from one fiscal year's budget. So, Midland City Council has, for the past two years, implemented a policy to set aside a portion (80%) of the potential losses each year until the appeals are settled.

These funds and the interest on them have been placed in a separate reserve fund. Under this policy any money left over in this fund when the appeals are settled will be refunded to Midland residents in the form of a millage rate decrease.

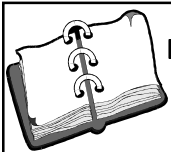
Revenue for the tax appeal reserve has come from the Tax Appeal Reserve millage. This component of the overall millage is recommended to increase from 2.49 mills to 3.24 mills in order to help fund additional tax reductions filed by Dow and Dow Corning and refunds on the 1% tax administration fee.

The second challenge the City has is providing for the ongoing legal costs of defending these tax appeals.

Under State law the City of Midland is solely responsible for defending the tax appeals on behalf of all the taxing units. With a potential revenue loss of more than \$88 million to City and County taxing units, it is in the best interest of the community to carefully review these petitioned tax reductions to assure that they are fair to all taxpayers. Due diligence requires that the City conduct detailed appraisals of hundreds of buildings, a huge inventory of specialized production equipment, laboratories and other capital. However, this analysis is very expensive.

The proposed 1999-00 budget includes an appropriation of \$1.75 million for major tax appeal defense costs. These costs are proposed to be funded with \$920,000 from the 1% Tax Administration Fee levied by the City of Midland on all taxpayers and by an \$830,000 appropriation from the general fund.

To learn more about this very detailed matter, please refer to the City of Midland Proposed Annual Budget document which is found at the Government Information Center in the Grace A. Dow Memorial Library or at the City Clerk's office, located in Midland City Hall. You may also view the City Manager's annual budget message on the City of Midland website at [www.ci.midland.mi.us](http://www.ci.midland.mi.us).



Mark your calendars and plan to help the City of Midland determine the 1999-2000 City Budget.

#### Here are some important meeting dates to note:

- April 26 Public Hearing on the Proposed Budget  
7 p.m., City Council Chambers
- April 28 City Council Study Session - Other Funds  
7 p.m., City Council Chambers
- May 10 Public Hearing on the Budget  
7 p.m., City Council Chambers
- May 17 Budget Adoption  
7 p.m., City Council Chambers
- July 1 Budget Implementation

Review the City of Midland Proposed Budget in detail at

the Grace A. Dow Memorial Library  
the City Clerk's office or  
on the City website  
[www.ci.midland.mi.us](http://www.ci.midland.mi.us)

Questions?  
Comments?  
Call the City Manager's office at  
837-3301  
or the Citizen Comment Line at  
837-3400

### At Your Service ...

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