



# At Your Service...

## 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 2000-01 Budget.

### 2000-01 Proposed Budget Highlights

#### A .5% Decrease in the Combined Millage Rate for City Operations, Stormwater Management and Debt Service

- No change from last year in the City's tax rate to provide the number of City services you currently receive at the quality you've come to expect.
- The tax rate for the stormwater management fund, created in last year's budget, decreased 21% thanks to a Project Impact grant from the Federal Emergency Management Agency. This fund provides for storm sewer maintenance, open drain cleaning and other projects related to managing stormwater in the City.
- The debt service millage rate increased by 1%.

#### 12% Increase in the Tax Appeal Reserve Millage Causes Increase in the Total Millage Rate

- The Tax Appeal Reserve Millage increased from 3.24 to 3.64 mills to fully support 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 (see sidebar story).

#### Total Millage Rate Increase of 3%

- Combined, the above budget initiatives result in a proposal to increase the overall City of Midland millage rate from 12.12 to 12.48. Refer to the table on the back page to see how the millage rate increase affects a typical homeowner.

#### Extraordinary Revenues Saved City Budget From Larger Increases

Three extraordinary revenues totalling nearly \$2 million helped keep millage rate increases lower than anticipated this year. These revenues came from:

- Payment of the Restall Suites Fine = \$460,000
- Sale of the Kroger/Hooks Building = \$600,000
- Elimination of the Fire Station Relocation project = \$750,000

#### Elimination of the Fire Station Relocation Project

For the past two budgets, City Council has set aside \$250,000 to fund the relocation of two of Midland's three existing fire stations. A study has shown that relocating our existing fire stations will not improve response times within the existing city limits. Depending upon the type of residential, commercial and industrial growth that occurs, a fourth fire station may be necessary in the future. Fire response times will be reviewed as the City grows to determine when and where a fourth station should be constructed. Therefore, the City has recommended eliminating this project.

The proposed budget would release the accumulated \$500,000 from previous years, along with the \$250,000 scheduled for the upcoming year, to other expenses. City Council decided that these revenues should be used for capital projects and/or extraordinary expense. The proposed budget has allocated these revenues to the defense of the tax appeals.

#### 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 \$32 million to the City of Midland and \$122 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 2000-01 proposed budget and present two big challenges for the City of Midland.

The first challenge is how to best prepare the City for the potential of having to

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tax appeals, continued...

repay \$32 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 \$31 million, it's unrealistic to expect that enough expenditures to fund this liability could be cut from one fiscal year's budget or that taxes could be increased enough in one year to support the liability. So, Midland City Council has, for the past four 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 resolved will be returned 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 3.24 to 3.64 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 faces 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 \$120 million to the City and other 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 2000-01 budget includes an appropriation of \$3.67 million for major tax appeal defense costs. These costs are proposed to be funded with \$980,000 from the 1% Tax Administration Fee levied by the City of Midland on all taxpayers, an \$882,000 appropriation from the general fund and the \$1.8 million in extraordinary revenues described on page one.

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

**At Your Service ...**

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*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:*

	99-00 <u>City Tax Bill</u>	00-01 <u>Proposed City Tax Bill</u>	<u>Difference</u>
Operating Millage	\$362	\$362	\$0
Debt Service Millage	\$ 25	\$ 26	\$1
Stormwater Management	\$ 13	\$ 10	-\$3
SUBTOTAL	\$400	\$398	-\$2
Tax Appeal Reserve Fund	\$146	\$164	\$18
TOTAL	\$546	\$562	\$16

**Highlights -- Other Funds**

**Major & Local Street Fund...**

...the proposed budget allocates \$2.6 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."*

...this is the first year with no proposed increase to the water fund following a seven-year rate increase to build up working capital.

...the wastewater fund proposes a 5% rate increase. Four percent of this increase was anticipated operating expenses and the remaining 1% is for debt service on the bonds that will be issued in April 2001 as a result of the sewer improvements approved by voters in February.

**Mark your calendars and plan to help the City of Midland determine the 2000-01 City Budget.**

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

- April 24 Public Hearing on the Proposed Budget
- April 26 City Council Work Session
- May 8 Public Hearing on the Budget
- May 15 Budget Adoption
- July 1 Budget Implementation

All meetings will be held at 7 p.m. in City Council Chambers and cablecast live on MGTV 5

**Review the City of Midland Proposed Budget in detail at:**

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

**Questions? Comments?**

- Call the City Manager's office at 837-3301
- or the Citizen Comment Line at 837-3400
- E-mail [cityhall@midland-mi.org](mailto:cityhall@midland-mi.org)

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