

City of Otsego

2021-2022 Annual Appropriations Bill



The Uniform Budgeting & Accounting Act (MCL 141.436) establishes the requirements for the passage of a General Appropriations Act, which includes:

- ▶ all funds except trust or agency, internal service, enterprise, debt service or capital project funds,
- ▶ setting the millage rates to be levied and the purposes for each millage,
- ▶ establishing a statement of estimated revenues for each fund required,
- ▶ being consistent with the State uniform chart of accounts,
- ▶ conforming to statutory and charter limitations,
- ▶ not resulting in a deficit fund balance for any of the required funds.

All Funds

Totals are shown for each fund, but annual appropriations resolution adopts appropriations by activity.

GENERAL FUND	\$2,138,495
MAJOR STREET FUND	240,505
LOCAL STREET FUND	296,355
PUBLIC SAFETY FUND	1,487,205
STREET & BRIDGE FUND	105,390
SOLID WASTE & RECYCLING FUND	279,080
DOWNTOWN DEVELOPMENT AUTHORITY	337,455
EQUIPMENT DEBT FUND	0
CAPITAL PROJECTS FUND	45,000
EQUIPMENT REPLACEMENT FUND	42,000
SEWER FUND	1,151,855
WATER FUND	1,014,810
MOTOR POOL FUND	253,290
<u>SPECIAL ASSESSMENT CAPITAL IMPROVEMENT FUND</u>	<u>0</u>
TOTAL APPROPRIATIONS	
FISCAL YEAR 2021 - 2022	\$7,391,440

Property Tax Millage Levy

- **General Operating Millage: 11.3657**

- ▶ City Charter allows for a maximum of 12.5000 mills.
- ▶ “Headlee Rollback” provided by MCL 211.34d permanently reduces the maximum to 11.3657 mills without voter approval.

- **Solid Waste Reduction Millage: 2.3773**

- ▶ MCL 123.261 allows a maximum levy of 3.000 mills for the purpose of collecting and disposing of solid waste.
- ▶ “Headlee Rollback” provided by MCL 211.34d permanently reduces the maximum to 2.7803 mills without voter approval.

Property Tax Millage Levy - continued

- **Public Safety Millage: 1.8807**

- ▶ Voters approved a 2 mill ten year levy for Tax Years 2017 through 2026 on August 2, 2016.
- ▶ “Headlee Rollback” provided by MCL 211.34d permanently reduces the maximum to 1.8807 mills without voter approval.

- **Total Millage: 15.6237**

Headlee “Rollback” Amendment

Article IX, Sec. 31 of the Michigan Constitution

- ▶ Requires the maximum millage of a jurisdiction to be “rolled back” (reduced) if the total value of existing taxable property increases faster than the U.S. Consumer Price Index (CPI) from one year to the next. The roll-back may be reversed by a vote of the electors.

Assessment Roll Statistics (verified by Allegan County Equalization)

2020 Prior Year Total Ad Valorem Taxable Value	\$ 93,649,121
2021 Current Year Taxable Value Losses	\$ 688,313
2021 Current Year Taxable Additions	\$ 1,498,489
2021 Current Year Total Ad Valorem Taxable Value	\$ 96,667,245
2021 Inflation Rate Multiplier, as determined by Dept. of Treas.	1.014

Headlee Millage Reduction Fraction (MRF) Calculation

Permanently rolls back millage if current rates produce more tax dollars after adjusting for inflation and ignoring additions and losses. Requires voter override to restore millage.

$$\frac{(\text{Prior Year TV} - \text{Current Year Losses}) \times \text{CPI}}{(\text{Current Year TV} - \text{Current Year Additions})} = 0.9905 \quad 0.95\% \text{ Reduction}$$

Millage Levy	2020 Maximum Allowed	2021 Headlee (MRF)	2021 Maximum Allowed	2021 Proposed Levy
Charter Operating	11.4748	0.9905	11.3657	11.3657
Solid Waste Reduction	2.8070	0.9905	2.7803	2.3773
Public Safety Millage	1.8988	0.9905	1.8807	1.8807
Total	16.1806		16.0267	15.6237

Headlee roll-backs will occur when growth of the previous year's base taxable value exceeds the CPI as properties are sold and taxable value uncaps.

Change in Base Taxable Value from Prior Year: 2.38%

Truth in Taxation

MCL 211.24e requires taxing units to hold a “Truth in Taxation” hearing to approve millage that will produce more tax revenues than the previous year **or** conform to the Uniform Budgeting and Accounting Act (MCL 141.436). **The City conforms to the Uniform Budgeting and Accounting Act.**

Those units required to hold a Truth in Taxation must reduce the total millage levy in proportion to increases in taxable values after allowing for losses and new construction until a hearing is held to show the need for additional tax revenues.

TRUTH IN TAXATION *(for illustrative purposes only)*

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Truth in Taxation Base Tax Rate (BTR) Calculation

$$\frac{(\text{Prior Year TV} - \text{Current Year Losses})}{(\text{Current Year TV} - \text{Current Year Additions})} = 0.9768 \quad 2.32\% \text{ Reduction}$$

Tax Rates Allowed Without Identifying Need

	2020 Millage <u>Levy</u>	2021 BTR <u>Multiplier</u>	2021 BTR Adj <u>Millage</u>	Millage <u>Inc/(Dec)</u>	Percent <u>Change</u>
Charter Operating	11.4748	0.9768	11.2086	-0.2662	-2.32%
Solid Waste Reduction	2.2101	0.9768	2.1588	-0.0513	-2.32%
<u>Public Safety Millage</u>	1.8988	<u>0.9768</u>	1.8547	<u>-0.0441</u>	<u>-2.32%</u>
Total	15.5837		15.2221	-0.3616	

Change in Tax Revenue

	2020 Tax <u>Levy</u>	2021 BTR Adj <u>Tax Levy</u>	Increase <u>(Decrease)</u>	BTR Adj Percent <u>Change</u>	2021 Proposed <u>Levy</u>	Increase <u>(Decrease)</u>	Proposed Percent <u>Change</u>
Charter Operating	\$1,074,605	\$1,083,504	\$8,900	0.83%	\$1,098,691	\$24,086	2.24%
Solid Waste Reduction	\$206,974	\$208,685	\$1,711	0.83%	\$229,807	\$22,833	11.03%
<u>Public Safety Millage</u>	<u>\$177,821</u>	<u>\$179,289</u>	<u>\$1,468</u>	<u>0.83%</u>	<u>\$181,802</u>	<u>\$3,981</u>	<u>2.24%</u>
Total	\$1,459,400	\$1,471,478	\$12,079		\$1,510,300	\$50,900	

Additional Areas Included in the Annual Appropriations Bill:

- ▶ The City of Otsego Fee and Fine Schedule
- ▶ The summer property tax due date will be August 16, 2021, the next business day after the due date of August 15th, as established by the Otsego City Charter. Taxes will be marked as paid on the date payments are received at City Hall.
- ▶ A one percent property tax administration fee collected on each tax.
- ▶ Deferments are available for both summer and winter property taxes and the City waives interest on summer deferred taxes if a winter deferment is filed by February 14.
- ▶ The City Manager is authorized to make intrafund appropriation transfers up to \$2,000 for any one line item.