

City of Otsego

2023-2024 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 custodial, 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 of Michigan's 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	\$2,228,440
MAJOR STREET FUND	996,700
LOCAL STREET FUND	230,655
PUBLIC SAFETY FUND	1,842,595
STREET & BRIDGE FUND	80,000
SOLID WASTE & RECYCLING FUND	394,275
EQUIPMENT DEBT FUND	0
CAPITAL PROJECTS FUND	204,000
EQUIPMENT & REPLACEMENT FUND	160,100
SEWER FUND	1,187,290
WATER FUND	633,975
MOTOR POOL FUND	330,080
<u>SPECIAL ASSESSMENT CAPITAL IMPROVEMENT FUND</u>	<u>0</u>
TOTAL APPROPRIATIONS	\$8,288,110

Property Tax Millage Levy

- **General Operating Millage: 11.1452**

- ▶ City Charter allows for a maximum of 12.5000 mills.
- ▶ “Headlee Rollback” provided by MCL 211.34d permanently reduces the maximum to 11.1452 mills without voter approval.

- **Solid Waste Reduction Millage: 2.0206**

- ▶ 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 2.7263 mills without voter approval.

Property Tax Millage Levy - continued

- **Public Safety Millage: 4.0000**
 - Voters approved a 4 mill ten year levy for Tax Years 2023 through 2032 on May 2, 2023.
- **Total Millage: 17.1658**

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)

2022 Prior Year Total Ad Valorem Taxable Value	\$ 102,766,725
2023 Current Year Taxable Value Losses	\$ 1,586,084
2023 Current Year Taxable Additions	\$ 1,135,675
2023 Current Year Total Ad Valorem Taxable Value	\$ 109,084,730
2023 Inflation Rate Multiplier, as determined by Dept. of Treas.	1.079

Headlee Millage Reduction Fraction (MRF) Calculation

$$\frac{(\text{Prior Year TV} - \text{Current Year Losses}) \times \text{CPI}}{(\text{Current Year TV} - \text{Current Year Additions})} = 1.0000 \quad 0.00\% \text{ Reduction}$$

Millage Levy	2022 Maximum Allowed	2023 Headlee (MRF)	2023 Maximum Allowed	2023 Proposed Levy
Charter Operating	11.1452	1.0000	11.1452	11.1452
Solid Waste Reduction	2.7263	1.0000	2.7263	2.0206
Public Safety Millage	4.0000	1.0000	4.0000	4.0000
Total	17.8715		17.8715	17.1658

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: 6.69%

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 as the City complies with the Uniform Budgeting & Accounting Act, P.A. 2 of 1978)

Assessment Roll Statistics (verified by Allegan County Equalization)

2022 Prior Year Total Ad Valorem Taxable Value	\$ 102,766,725
2023 Current Year Taxable Value Losses	\$ 1,586,084
2023 Current Year Taxable Additions	\$ 1,135,675
2023 Current Year Total Ad Valorem Taxable Value	\$ 109,084,730

Truth in Taxation Base Tax Rate Fraction (BTRF) Calculation

$$\text{BTRF} = \frac{(\text{Prior Year TV} - \text{Current Year Losses})}{(\text{Current Year TV} - \text{Current Year Additions})} = 0.9373 \quad 6.27\% \text{ Reduction}$$

Tax Revenues Allowed by Holding a Truth in Taxation Hearing Without Identifying Need

	2022 Millage Levy	2022 Millage x BTRF	2023 Headlee Maximum	Allowable Increase w/ Hearing	Percentage Increase w/ Hearing	Max Tax Levy Gain With Hearing
Charter Operating	11.1452		11.1452			
Solid Waste Reduction	0.8295		2.7263			
<u>Public Safety Millage</u>	<u>1.8442</u>		<u>4.0000</u>			
Total	13.8189	12.9525	17.8715	4.9190	37.98%	\$536,593
	(A)	(B) = (A) x BTRF	(C)	(D) = (C)-(B)	(D)/(B)	2023 TV x (D)

Tax Revenues Allowed Without Holding a Truth in Taxation Hearing

	2022 Millage Levy	2022 Millage x BTRF	2023 Headlee Maximum	Multiplier Without Hearing	Max Millage Without Hearing	Max Tax Levy Without Hearing
Charter Operating	11.1452		11.1452		8.0775	\$881,136
Solid Waste Reduction	0.8295		2.7263		1.9759	\$215,540
<u>Public Safety Millage</u>	<u>1.8442</u>		<u>4.0000</u>		<u>2.8990</u>	<u>\$316,239</u>
Total	13.8189	12.9525	17.8715	0.7248	12.9525	\$1,412,915
	(A)	(B) = (A) x BTRF	(C)	(E)=(B)/(C)	(F)=(C)x(E)	2023 TV x (F)

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 15th, 2023, 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.