

OVERVIEW OF PROPOSED 2006-07 BUDGET

Budget Summary. The City's budget for the fiscal year that begins July 1 guides spending on the complete range of City services, including public safety, public works, water and sewer utilities, the downtown development authority, and for capital improvements. The budget the staff has proposed to the City Council reflects a small reduction in the millage rate for both operating and debt purposes. The proposed budget is balanced without relying on the appropriate of reserves.

Budget Process. Department heads submit funding requests to the Finance Director by March 1. The Finance Director estimates incomes from taxes, state revenue sharing, utility charges and other sources. In consultation with the City Manager, a spending plan is developed that balances proposed expenditures with available revenues. This budget was submitted to Council on April 3. Following a May 1 public hearing to receive citizen comments and a May 9 special meeting for Council budget discussions, the Council is expected to adopt a budget during its May 15 meeting. This budget guides spending for the year that begins July 1, 2006 and ends on June 30, 2007.

Closing the Budget Gap. The budget for the fiscal year that will end June 30, 2006 was balanced through the appropriation of \$200,000 from reserves. In approving this budget, the City Council gave very specific direction to staff that it did not want to rely on reserves in future years. To accomplish this, further reductions in expenditures are proposed. These reductions include:

- Discontinuing the City's assignment of a police patrol officer to the MAGNET drug unit. The City would contribute \$1.00 per capita to the MAGNET program instead. This change would result in a staff reduction in the Police Division of one patrol officer.
- Reducing the number of secretarial positions in the Department of Public Safety from three to two.
- Eliminating funding for the position of the Director of Public Works. This new position was authorized in the 2005-06 budget but was left vacant due to concerns about future funding.
- Discontinuing general fund support for the Curwood Castle docents. These part-time individuals provide staffing during hours the Castle is open to the public. The Historical Commission is pursuing other means of providing this service.

These spending decreases are in addition to cuts made in the current budget through the closure of Holman Pool, reduction in the number of seasonal employees hired, changes in employee benefit programs and other reductions.

Investing in Infrastructure and Technology. Despite the challenges the City faces in balancing its budget, it is important to continue investing for the future. In addition to the annual street reconstruction program, the following proposals are among those included in the 2006-07 budget:

- Replace the Fire Division's ladder truck. It is estimated that this new truck would cost approximately \$700,000.
- Replace the Oliver Street bridge. Engineering and design work for this project has just begun. Grants will fund most of the cost of this project. The City expects to spend about \$400,000 over the current and next fiscal years for the new bridge.
- Build a new road leading to the former Sugar Beet site and invest in parking improvements in the downtown. Both of these community development projects require funding from multiple sources as well as commitments from the private sector.

Looking Ahead. It appears likely that the budget challenges the City has faced during the last five years will continue for several more. The City's investment in the Osburn Lakes residential development has begun to yield the expected increases in property taxes but these are not sufficient to offset large reductions in state shared revenues.

On the spending side of the budget, a major unknown cost is found in addressing the sanitary sewer overflow problem. The City has signed an administrative consent order with the state Department of Environmental Quality that requires specific actions to be taken to eliminate sewage overflows to the Shiawassee River during heavy rainfalls. Planning is now underway and a final solution will be determined in the future. It is proposed that funds from the general fund reserve be added to the City's public improvements fund to address future spending required to solve this problem.

For More Information. Copies of the budget are available for public inspection in City Hall and at the Owosso branch of the Shiawassee District Library.