

CITY OF SYLVAN LAKE
PUBLIC HEARING
MAY 11, 2016

A Public Hearing was held by the Sylvan Lake City Council on Wednesday, May 11, 2016 at the Sylvan Lake Community Center, opening at 7:33 p.m. with Mayor Dzenko presiding.

Present: Zubrzycki, Cassar, Dzenko, Lorenz, Meskin **PH-001-16 B-003-16**

Absent: None

Also Present: City Manager Martin, Clerk Dryden and City Attorney Schultz

The public hearing was scheduled to receive public input regarding the proposed 2016/2017 budget.

Martin made a power point presentation showing how the millage rates are calculated which included the breakdown of proposed millage rates, and dollars collected for each millage. Next he explained the Headlee Amendment that was created so municipalities cannot collect more dollars in revenue than we did the year before except for the rate of inflation and a couple other variables. An increase in Housing Values does not equate to the same increase in property taxes.

Martin showed the proposed total millage to be levied for fiscal year 2016-2017 will be 22.9146 the General Operating total being 13.5990 mills. He explained how the debt millage is calculated. He provided a review showing taxes collected with our base millage rate from 2009, \$703,000 and where will be at for 2016, \$571,047; so his estimate back in 2011 saying it would be 20 years before we saw the same *revenue* from taxes that we saw in 2009 and that prediction seems to be true.

Martin provided a summary of General Fund revenues and expenditures and charts showing the revenues and expenditures.

Martin explained the financial outlook for the City, including capital improvements and projections through 2020 when the 2 mill's expires. A question has been raised several times asking why the General Fund can't cover the shortfall in the Water, Sewer and Garbage and Rubbish Funds. Martin reiterated that is a bad practice. You shouldn't use your fund balance for the normal operation of any department and you certainly shouldn't use the General Fund Balance to cover the normal operation of other funds. If we did, it would cause more problems. At some point the General Fund could not afford to continue to subsidize the other funds. You would then have to increase rates in those funds even more to cover the increased annual cost. In the meantime the General Fund would be depleted. Our policy is to have a minimum of 30% in our Fund Balance. Martin showed three examples of subsidizing wouldn't work. If the General Fund subsidized the Water Department shortfall, the General Fund Balance would be below 12% (\$228,500) in 2019/20. If it subsidized the Water and Sewer Departments, the General Fund Balance would be 2.4% (\$47,000) in 2019/20. If it tried to subsidize the Water, Sewer and Garbage/Rubbish, the Fund Balance would be 0.5% (\$11,000) in 2018/19, only three years.

Lastly Martin explained a graph he created showing revenue and expenditures in the Garbage and Rubbish Fund. He doesn't normally show non-General Fund budgets but since funding for Garbage and Rubbish is on the agenda he thought it would be beneficial. The graph showed the same downward trend as he showed for the general fund base millage. The same downturn in housing values caused the Garbage and Rubbish fund to lose a significant portion of its revenue, from \$217,000 in 2008/09 to \$148,000 in 2012/13, while costs continued to rise. For that

reason the Garbage and Rubbish fund is underfunded.

Mayor Dzenko opened the meeting to the public.

A resident asked why the water and sewer rates were increased a while back. Martin reported we as the city didn't increase the rates for too long. There were things going on with Detroit water; they were renegotiating contracts. We actually got a reduction in our water rate, but then we got a big jump the following year and another after that and the last one was an 18% increase. The city hadn't increased the rates for 9 years. They should have been increased a little each year. Sewer was the same thing except dealing with the City of Pontiac.

Bob Duschinske questioned why the fundbalance was at \$1M. Martin recapped the capital expenditures were planned but didn't happen in that year and then in the next they started those projects. So the fundbalance may be higher now but as he explained next year they plan on using \$356,000 and it continues to go down from there. Also money is put away for future expenses such as roof for Community Center, vehicles, seawall, etc. Duschinske feels \$1M is excessive to have on hand. He asked when was the last time the fundbalance was at 30%. Martin replied before the 2 mill levy. He added now the City can make the necessary improvements and maintain the city in a way which the residents want.

Mayor Dzenko thanked Martin for the presentation. Martin invited anyone to make an appointment with him if they would like to discuss the budget in further detail.

There were no other comments.

Mayor Dzenko closed the Public Hearing at 8:03 p.m.

Dennise Dryden, City Clerk