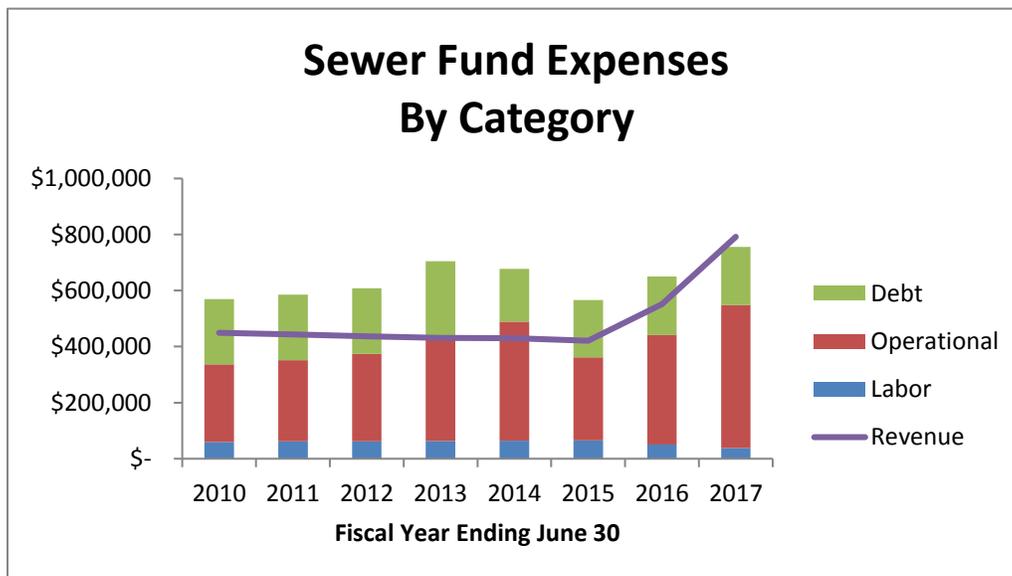


## Financial Position of the Sewer Fund

Taxpayer dollars are deposited in the City of Bridgman's **General Fund**, along with state shared revenues (from sales tax), interest income and miscellaneous revenues. This portion of the budget is comprised largely of discretionary funds, since the City Council can allocate the funds to programs and services in any area. In other words, there are few restrictions on how these resources may be allocated. General fund dollars are used to support such City services as police, fire, parks and street maintenance as well as planning, community development and administrative support services.

Business-type activities are often referred to as **enterprise funds**, which account for revenues and expenses associated with the provision of goods and services to the general public for a fee. Bridgman has three enterprise funds: 1) Parks and Recreation Fund, 2) Water Fund and 3) Sewer Fund.

Over the years the General Fund has been used to subsidize, or financially support the Sewer Fund in order to balance the Sewer Fund's budget. Previously, the Sewer Fund's utility rates were simply not high enough to cover all of the expenses to treat Bridgman's wastewater. Although the City raised its sewer rates in 2015 and 2016, resulting in a balanced budget, many years of inter-fund transfers have resulted in an obligation of over \$700,000 from the Sewer Fund to the General Fund. The revenue shortage within the Sewer Fund is shown clearly on the graph below. Expenses above the purple revenue line were covered by the General Fund in order to "make ends meet".



The City's ability to borrowing money for three major projects could be jeopardized.

The total amount of transfers from the General Fund to the Sewer Fund is essentially a debt. Like all debts either it must be repaid or the lender must forgive the obligation. In the City's case forgiving all or most of the obligation (\$713K) would have a very negative effect on the financial stability of the General Fund and the City's capacity to borrow funds for upcoming projects in the spring of 2018. Our administration has discussed several options for resolving the obligations during recent meetings of the City Council:

1. Do nothing and leave the money owed on the books.
2. Forgive all and record a significant decrease of the General Fund balance.
3. Forgive a portion and have the Sewer Fund repay over several years.
4. Use other sources of revenue to reduce the obligation:
  - a. Add a 1% administration fee on property taxes
  - b. Recover costs associated with trash and recycling service
  - c. Raise sewer rates

Although the most direct method of addressing the obligation would be to raise rates, the administration is reluctant to do so because rates were recently adjusted. It may also be necessary to raise rates in the future depending on costs at the wastewater treatment plant in New Buffalo.

Rather than raise sewer rates we believe the fairest and most equitable solution is to recover costs associated with trash and recycling service. As noted in the December 2017 issue of the Community Buzz, passing along the actual costs of trash and recycling service to property owners would effectively free \$100,000 within the General Fund for other activities such as road funding, park improvements and paying down inter-fund debt.

Bridgman is unique in Michigan because it absorbs trash collection costs

Bridgman is unique among cities within the state of Michigan in that it absorbs its residents trash and recycling collection costs. The vast majority of cities either charge their residents for collection or do not offer service, thereby requiring residents to contract their own trash hauler. In Bridgman the current cost of providing service is \$7.79 per month per address, subject to annual Cost of Living increases through the City's contract with Republic Services.

The savings generated by the assessment to recover costs for trash and recycling would be applied to the Sewer Fund debt, reducing the obligation over an estimated seven years. The City feels this plan is the best method of resolving the Sewer Fund debt. If the City proceeds with the plan residents and property owners would see a new line on their

summer property tax bill which would account for trash and recycling service. The cost in 2018 is estimated at \$96 per address.



- It costs Bridgman \$7.79 per month per address to contract for trash and recycling collection service.
- The City has 1055 addresses which receive collection service.
- The total cost to provide service throughout the City is **\$8,218 per month.**
- The total cost to provide service throughout the City is **\$98,621 per year.**

The city manager welcomes you to ask questions regarding this issue by either emailing him at [jganum@bridgman.org](mailto:jganum@bridgman.org), writing a letter to City Hall or calling 269.465.5144. We are on the front end of the decision and would greatly prefer to hear our residents' concerns *before* moving forward with this plan to eliminate the Sewer Fund obligation to the General Fund.