

# City of Escanaba Special Council Meeting Monday, April 9, 2018

Pursuant to a meeting notice posted March 22, 2018, the Council of the City of Escanaba convened in special session in Room 101 of City Hall at 9:02 a.m., to begin the review and discussion of the proposed 2018/19 City Budget.

**Present:** Mayor Marc D. Tall, Council Members, Ronald J. Beauchamp, Ralph B. Blasier, Michael R. Sattem, and Peggy O’Connell Schumann.

**Absent:** None

**Also Present:** City Manager Patrick S. Jordan, City Controller Becotte, and various City Department Heads, media and public.

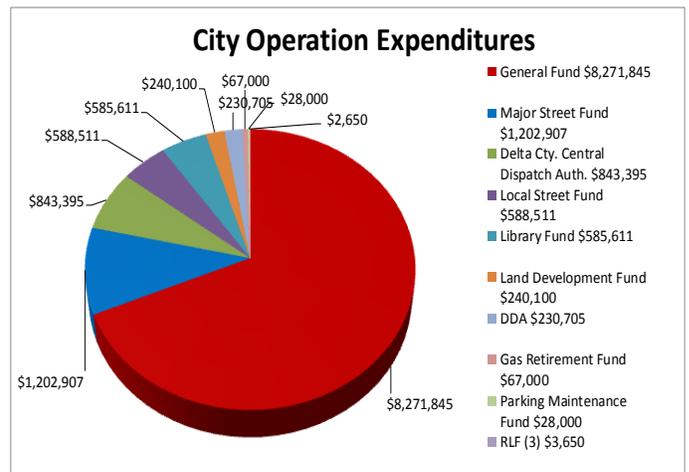
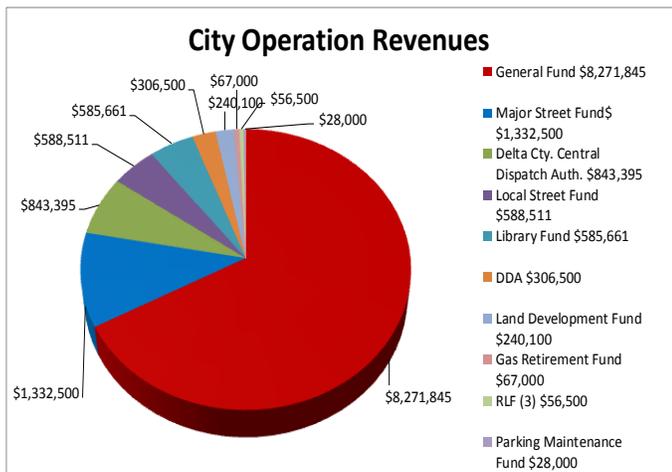
## GENERAL PUBLIC COMMENT – None

City Manager Patrick Jordan and City Controller Melissa Becotte presented Council the following Budget information:

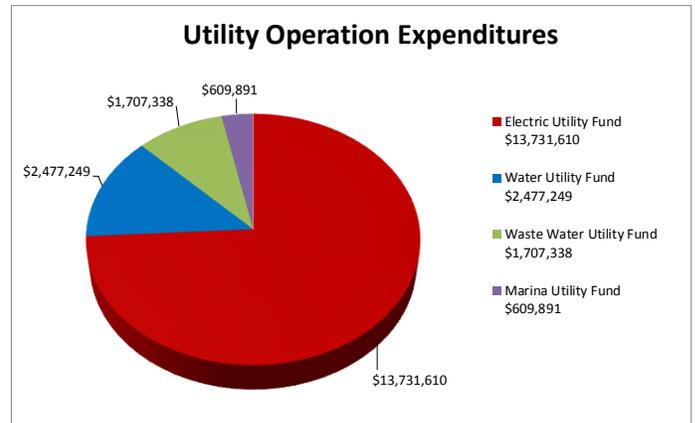
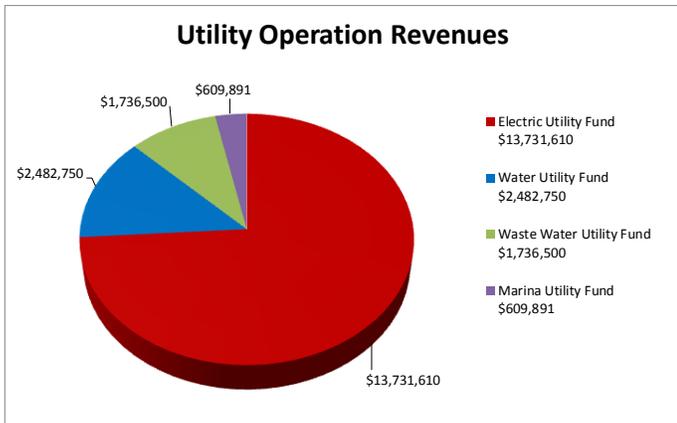
### CITY MANAGER’S PRELIMINARY BUDGET OVERVIEW – FY 2018-19

Pursuant to the Escanaba City Charter and relevant state laws, I hereby submit for City Council and community review the final FY 2018-19 Budget. A copy of this document has been placed on file with the City Clerk and at the Escanaba Public Library, where the public may review it during normal hours of operation. An electronic version is also available on the City’s website, [www.escanaba.org](http://www.escanaba.org), and on the City of Escanaba’s Facebook page. This document serves as a daily guide for City Administration in receiving and allocating resources in the most effective way for the good of the community.

This budget, with over \$30 million in expenditures, reflects our commitment in providing core services to our community and was developed using the best available information and most current revenue projections.



# Annual 2018/19 Budget Work Session



**City Millage Rate/Tax Rate and Tax Roll.** The final budget is based on a property tax rate of 17 mills, which will not require any tax increase in the upcoming fiscal year.

For homeowners in the City, 41.30% of the total property tax bill is kept by the City of Escanaba to pay for all General Fund services provided. The remaining 58.7% of a homeowner's tax bill is remitted to Delta County, the State of Michigan, the Escanaba School District, the Delta Schoolcraft Intermediate School District (DSISD), the Delta County Sheriff Department, 911 Operations, the Delta Area Transit Authority (DATA), Community Action Agency (CAA) and Bay de Noc Community College.

## WHERE YOUR TAX DOLLAR GOES...

### HOMEOWNER WITH HOMESTED EXEMPTION

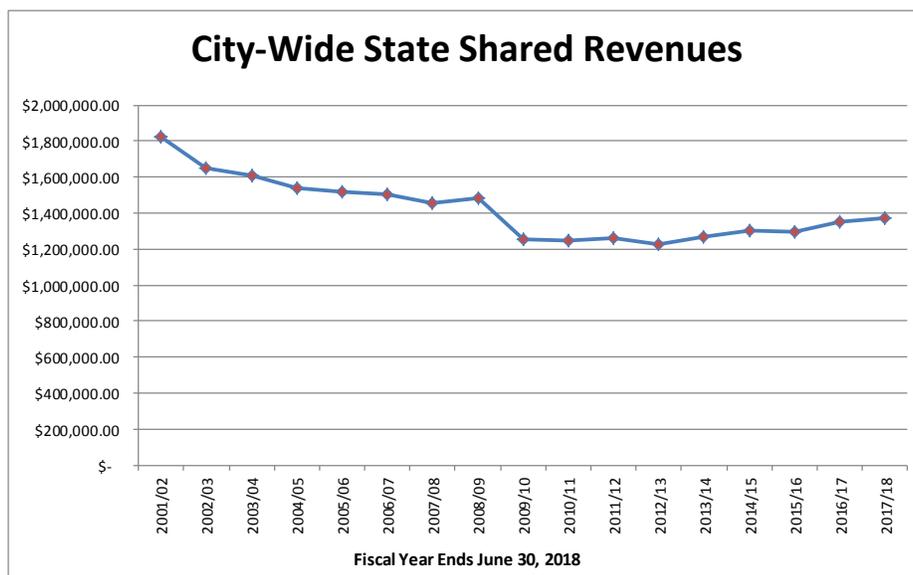


### NON-HOMESTEADED PROPERTY



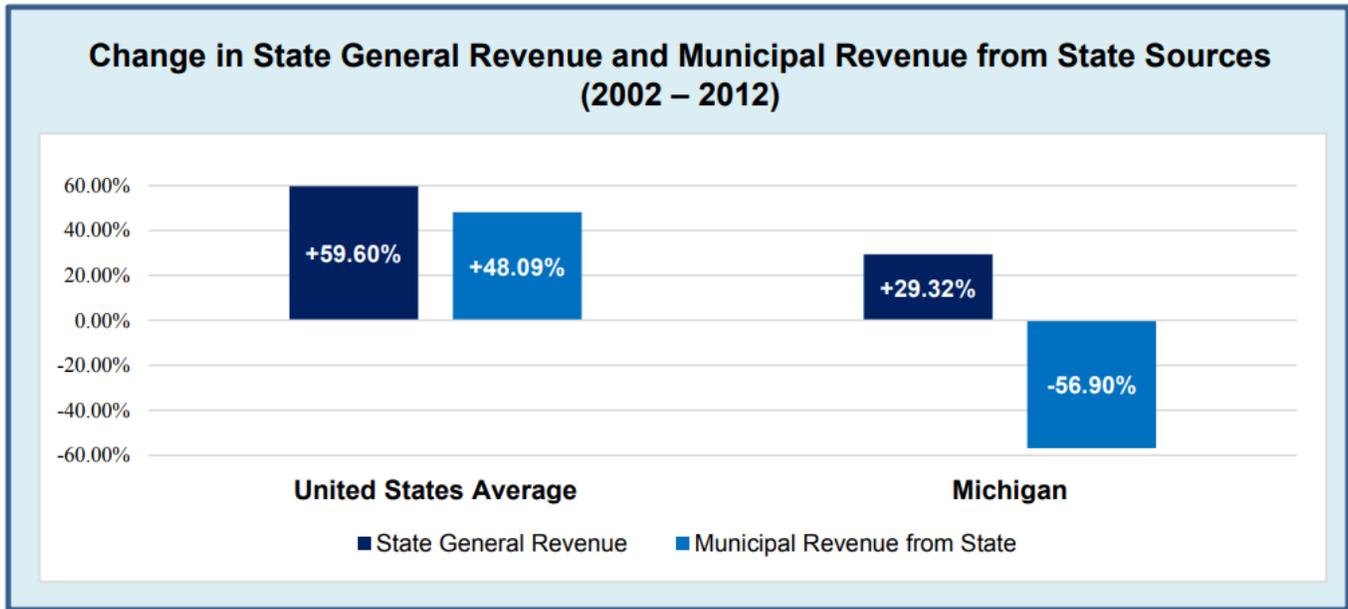
## Annual 2018/19 Budget Work Session

**General Fund.** The General Fund budget, which supports many of the day-to-day activities of the City, is \$8,271,845 (including transfers in from other funds), representing an increase of 1.56% from the previous year's budget. At the end of FY 2016-17, the General Fund balance was \$4,079,153, with a long-term debt obligation of \$875,000. At the end of FY 2017-18, projections show an estimated fund balance of \$4,524,113, with a long-term debt obligation of \$750,000. In the FY 2018-19 Budget, a projected fund balance of \$3,780,538, with a long-term debt obligation of \$625,000, is being proposed. The budget includes an electric utility transfer of \$765,796. Similar to most public utilities, this transfer, likened to property-like taxes or payments in lieu of taxes and the like have been made on an annual basis in Escanaba since 1956 so as to provide a direct benefit to the community including those properties that are exempt from paying property taxes. Using the latest available American Public Power Association data (2014) public power utilities contributed 5.6% of electric operating revenue back to the communities they serve. In early 2017, the City set aside \$290,000 from the state personal property tax distribution rebate to be used towards rising pension costs; an additional \$350,000 was also set aside from the 2018 rebate. A transfer of \$72,060 from those pooled pension smoothing funds is being included in the budget.



As discussed with the City Council over the last several years, I, believe that local units of government are struggling because the State's system for funding municipalities is broken and does not track with the economy. In Michigan, cities have very few sources of revenue—and those sources are shrinking. In recent years these sources have failed to keep up with the current level of services, much less rising costs. Also, Michigan law contains structural provisions that limit cities' ability to collect taxes on existing properties.

Only once since FY 1998 have lawmakers acted to fully fund statutory revenue sharing payments (in FY 2001). What's more, the cumulative amount of cuts to statutory revenue sharing for municipalities from FY 1998 to FY 2016 is estimated to be a staggering \$5.538 billion. When counties are included, the cumulative cut to local government revenue sharing since 1998 exceeds \$7.5 billion. Since 2002, Michigan has led the nation in cuts to municipalities. The Census of Governments, published every five years by the U.S. Census Bureau, reported that from 2002 to 2012, municipal revenue from state sources increased in 45 states and the average increase was 48.1 percent. In Michigan, municipal revenue from state sources declined 56.9 percent from 2002 to 2012. During this same period, total state revenue for Michigan increased by 29.3 percent <sup>(1)</sup>.



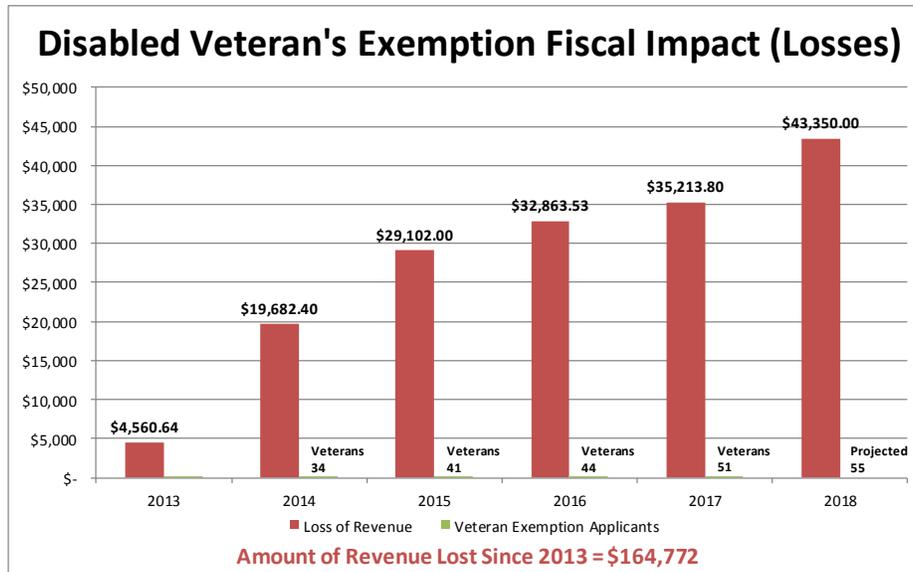
(1) Great Lakes Economic Consulting – April 2016 – "Michigan's Great Disinvestment"

Unless this trend is reversed by the State lawmakers, the severity of the continued cuts in state shared revenues will continue to have a direct negative impact on the basic community services we are able to provide and communities like Escanaba will continue to be left behind because of the burdens of a broken system. Since 2002, the City of Escanaba has lost approximately \$6,155,184.92<sup>(2)</sup> in revenue shares.

Amount of Revenue Sharing Lost Since 2002: (\$6,155,184.92)							
Year	Const. Payments	Statutory Payments	Total Payments	Full Statutory Payments	Statutory Reductions	Full Funding	Cumulative Difference
2003	\$ 872,820.00	\$ 857,054.00	\$ 1,729,874.00	\$ 918,892.00	\$ 61,838.00	\$ 1,791,712.00	\$ (61,838.00)
2004	\$ 863,338.00	\$ 691,391.00	\$ 1,554,729.00	\$ 908,909.49	\$ 217,518.49	\$ 1,772,247.49	\$ (279,356.49)
2005	\$ 883,941.00	\$ 653,841.00	\$ 1,537,782.00	\$ 930,600.02	\$ 276,759.02	\$ 1,814,541.02	\$ (556,115.52)
2006	\$ 898,990.00	\$ 621,682.00	\$ 1,520,672.00	\$ 946,443.39	\$ 324,761.39	\$ 1,845,433.39	\$ (880,876.90)
2007	\$ 880,310.00	\$ 595,076.00	\$ 1,475,386.00	\$ 926,777.36	\$ 331,701.36	\$ 1,807,087.36	\$ (1,212,578.27)
2008	\$ 909,702.00	\$ 565,684.00	\$ 1,475,386.00	\$ 957,720.82	\$ 392,036.82	\$ 1,867,422.82	\$ (1,604,615.09)
2009	\$ 857,958.00	\$ 656,684.00	\$ 1,423,642.00	\$ 903,245.51	\$ 3,375,661.51	\$ 1,761,203.51	\$ (1,942,176.60)
2010	\$ 831,675.00	\$ 434,512.00	\$ 1,266,187.00	\$ 875,575.15	\$ 441,063.15	\$ 1,707,250.15	\$ (2,383,239.75)
2011	\$ 847,091.00	\$ 419,096.00	\$ 1,266,187.00	\$ 891,804.89	\$ 472,708.89	\$ 1,738,895.89	\$ (2,855,948.64)
2012	\$ 901,640.00	\$ 294,759.00	\$ 1,196,399.00	\$ 949,233.27	\$ 654,474.27	\$ 1,850,873.27	\$ (3,510,422.91)
2013	\$ 920,305.00	\$ 315,816.00	\$ 1,236,121.00	\$ 968,883.51	\$ 653,067.51	\$ 1,889,188.51	\$ (4,163,490.41)
2014	\$ 941,887.00	\$ 331,029.00	\$ 1,272,916.00	\$ 991,604.72	\$ 660,575.72	\$ 1,933,491.72	\$ (4,824,066.13)
2015	\$ 956,680.00	\$ 341,137.00	\$ 1,297,817.00	\$ 1,007,178.57	\$ 666,041.57	\$ 1,963,858.57	\$ (5,490,107.70)
2016	\$ 955,764.00	\$ 341,137.00	\$ 1,296,901.00	\$ 1,006,214.22	\$ 665,077.22	\$ 1,961,978.22	\$ (6,155,184.92)

(2) SaveMiCity.org – Revenue Sharing Searchable Data.

In addition to the losses incurred due to the broken revenue sharing system, the City continues to incur expenses related to Tax Tribunal "Dark Store" cases for such things as attorney and appraisal fees (\$302,000 +/- to date) and refunds to property owners. There are currently 4 commercial cases pending before the tax tribunal with an aggregate contested taxable value of \$7.1 million, which equates to \$122,111 of annual tax revenue at risk for the City.



Additionally, we are experiencing increasing revenue cuts on an annual basis due to the escalating number of Disabled Veteran Property Tax exemptions (projected to be \$43,350+/- in the upcoming fiscal year). Here again, without replacement funding for this type of cut, cities like Escanaba are finding it difficult to fund expected services.

Over the last decade, the City has made deep cuts which included the elimination of as many as 36 full-time City employee positions, the consolidation of departments and their management team, major changes to the City pension system and major changes to City/employee cost sharing in how medical insurance is paid for with the employee now paying 20% of the policy costs. Additionally, a change was negotiated in the five (5) collective bargaining agreements that changed the way vacation, personal days, sick leave and funeral leave are earned for newly hired employees in an attempt to control costs. This program also applies to newly hired non-union employees.

**Major/Local Street Funds.** Street improvement funding continues to be a major concern. Administration remains proactive in identifying funds to address shortfalls such as applying for competitive grants. Major Street Fund expenditures, which support the day-to-day activities such as maintenance and snow plowing, are proposed to be \$657,907. At the end of FY 2017-18, projections show an estimated fund balance of \$1,611,758.

Additionally, the City of Escanaba maintains 55.05 miles of local streets. Local Street Fund expenditures, which support the day-to-day activities such as maintenance and snow plowing, are proposed to be \$416,511. At the end of FY 2017-18, projections show an estimated fund balance of \$937,764.

Each spring, the City Engineering Department conducts “Pavement Surface Evaluation and Rating (PASER)” inspections of all paved City streets. Using the PASER system, each street is scored a rating of 1 through 10 to evaluate the pavement surface condition. Each street is then entered into a condition category (poor, fair and good) and is assigned a treatment option. From that list, street projects are prioritized and selected based on surface condition, curbing condition, traffic volume, opinion of cost to repair and funds availability. Currently, approximately 69% of our street surfaces are considered to be substandard and in need of repair and upgrade.

As you know, late in 2015, the Governor signed into law nine (9) bills as part of his new transportation revenue package. We are seeing significant revenue increases as a result. Administration will continue to monitor the actions of the Michigan Legislature and Governor Rick Snyder on road funding initiatives to determine how street funding projections will be impacted.

## Annual 2018/19 Budget Work Session

Major and Local Street Projects in the budget include:

<u>Planned Activity</u>	<u>Amount</u>
Resurfacing and Curb Repair City Wide – Major Streets Crush, Reshape, Pave and Shoulder Expansion – Danforth Road from North 30 <sup>th</sup> Street to North City Limits	\$ 210,000
Resurfacing and Curb Repair – 3 <sup>rd</sup> Avenue North from Stephenson Avenue to North Lincoln Road (\$40,000 Major Street Fund + \$160,000 MDOT Grant = \$200,000)	\$ 200,000
Resurfacing and Curb Repair City Wide – Local Street	\$ 150,000
Traffic Signal Upgrade and Intersection Realignment – 3 <sup>rd</sup> Avenue North and North Lincoln Road (\$60,000 Major Street Fund + \$60,000 MDOT Grant = \$120,000)	\$ 120,000
Chip Coat and Seal – 21 <sup>st</sup> Avenue South – Lake Shore Drive to 18 <sup>th</sup> Street (\$5,000 Local Street Fund + \$17,000 Special Assessment = \$22,000)	\$ 22,000

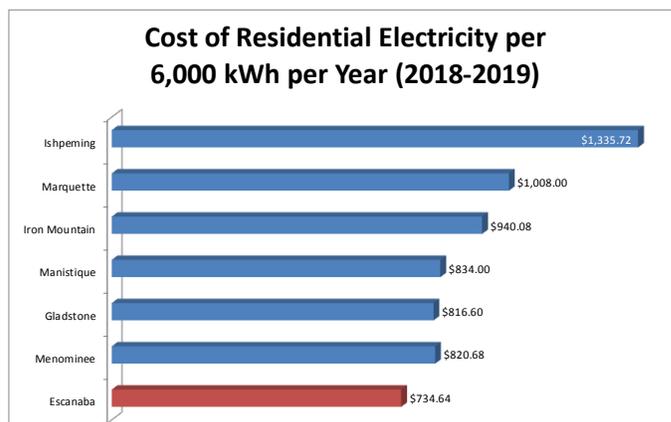
**Electric Fund.** The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$13,313,518 representing an increase of .47% from the previous year's budget. As of June 30, 2017, the overall City Electric Fund net assets exceed \$20.6 million. The current cash balance is approximately \$13 million.

Of notable interest, the Electric Fund budget includes funding for:

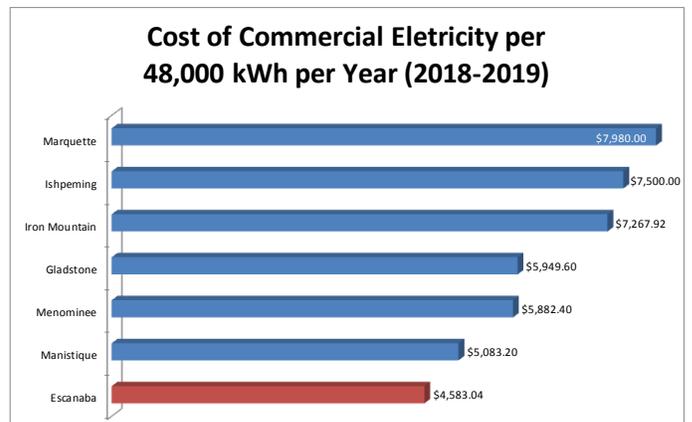
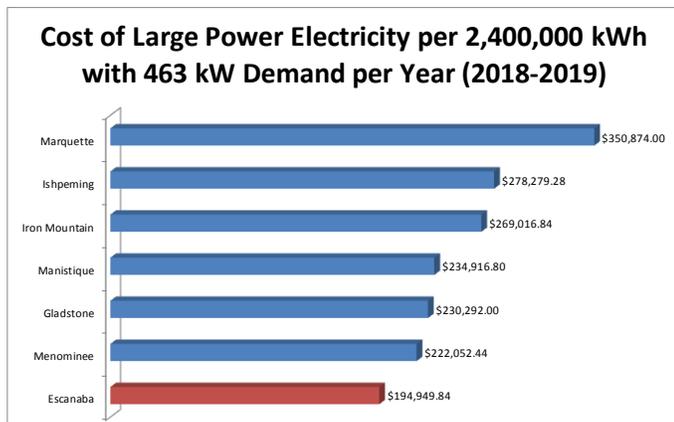
<u>Planned Activity</u>	<u>Amount</u>
System Wide Meter Replacement	\$ 1,000,000
Purchase of a Digger / Derrick Truck	\$ 250,000
Purchase of a Double Bucket Truck	\$ 250,000
Power Pole Replacement	\$ 200,000
West Side Substation Improvements	\$ 150,000
Ford River Underground Line Replacement	\$ 80,000
Power Pole Replacement – Ludington Street	\$ 80,000
Street Light Replacement – City Wide	\$ 80,000
Purchase of Meter Truck	\$ 40,000
Electric Department Security System Upgrade	\$ 5,000

A 1.75% electrical rate increase is included in the upcoming FY 2018-19 Budget.

Projected Example of Customer Classification and Usage - Effective July 2018			
City (Utility)	Residential 500 kWh/yr	Commercial 4,000 kWh/yr	Large Power 200,000 kWh & 463 kW
Escanaba		\$ 4,444.44	
City of Escanaba	\$ 734.64	\$ 4,583.04	\$ 194,949.84
Menominee			
WPS	\$ 820.68	\$ 5,882.40	\$ 222,052.44
Gladstone		\$ 5,937.60	
City of Gladstone	\$ 816.60	\$ 5,949.60	\$ 230,292.00
Manistique		\$ 4,903.20	
Cloverland REA	\$ 834.00	\$ 5,083.20	\$ 234,916.80
Iron Mountain		\$ 7,096.20	
WE Energies	\$ 940.08	\$ 7,267.92	\$ 269,016.84
Marquette			
Marquette BLP	\$ 1,008.00	\$ 7,980.00	\$ 350,874.00
Ishpeming			
UPPCO	\$ 1,335.72	\$ 7,500.00	\$ 278,279.28



## Annual 2018/19 Budget Work Session



**Water Fund.** The Water Fund budget, which supports the day-to-day activities of the Water Treatment Plant, is \$2,477,249, representing an increase of 1.1% from the previous year's budget. As of June 30, 2017, the overall City Water Fund net assets exceed \$6.7 million. The current cash balance is approximately \$912,000.

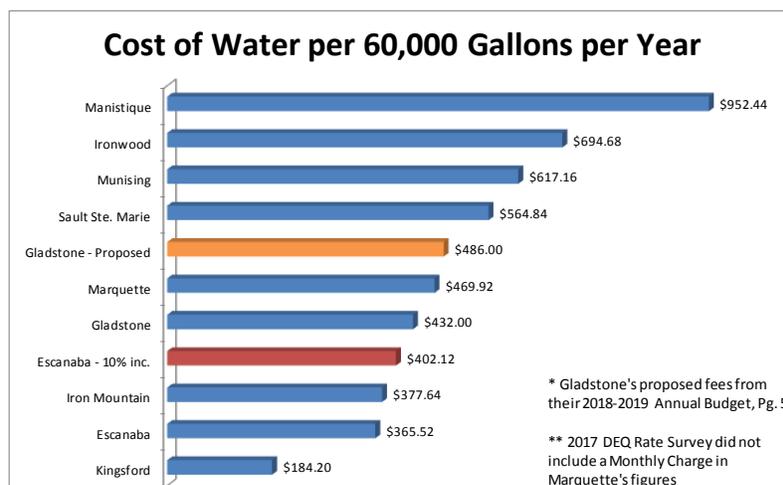
Of notable interest, the Water Fund budget includes funding for:

### Planned Activity

	<u>Amount</u>
Water Main Replacement – 1 <sup>st</sup> Avenue South	\$ 450,000
Distribution System – Replace Water Meters	\$ 220,000
Plant Improvements – Disinfection By-product System	\$ 200,000
Fire Hydrant Painting	\$ 45,000

Due to the ever changing landscape at the statewide level concerning water safety, Administration is anticipating that the State will introduce new requirements on drinking water safety as a result of the Flint, Michigan water crisis. Without knowing what exactly those requirements will be, this budget attempts to address some of the scenario's that seem to be rising to the top. However, we do know regardless of what the State does or does not do we must continue to upgrade such things as our water meters as part of a water loss reduction initiative as well as finding and eliminating our continued loss of potable water within our distribution system. We are one of 18 communities in the state invited to apply for a \$1 Million grant for lead abatement. Ten communities will be awarded the grants with the goal of becoming a pilot community in the State's lead abatement initiative.

In the proposed FY 2018-19 budget, a water rate increase of 10% is being proposed to meet departmental obligations and needs. With this increase, a typical residential customer using 60,000 gallons of water annually would experience a \$33.51 annual increase beginning July 1, 2018.



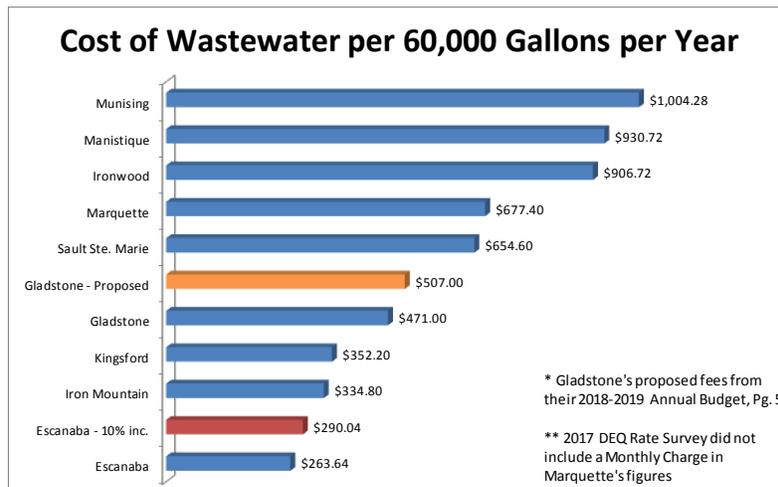
## Annual 2018/19 Budget Work Session

**Wastewater Fund.** The Wastewater Fund budget, which supports the day-to-day activities of the Wastewater Treatment Plant, is \$1,707,338, representing an increase of 10% from the previous year's budget. As of June 30, 2017, the overall City Wastewater Fund net assets exceed \$7.3 million. The current cash balance is approximately \$2.8 million.

Of notable interest, the Wastewater Fund budget includes funding for:

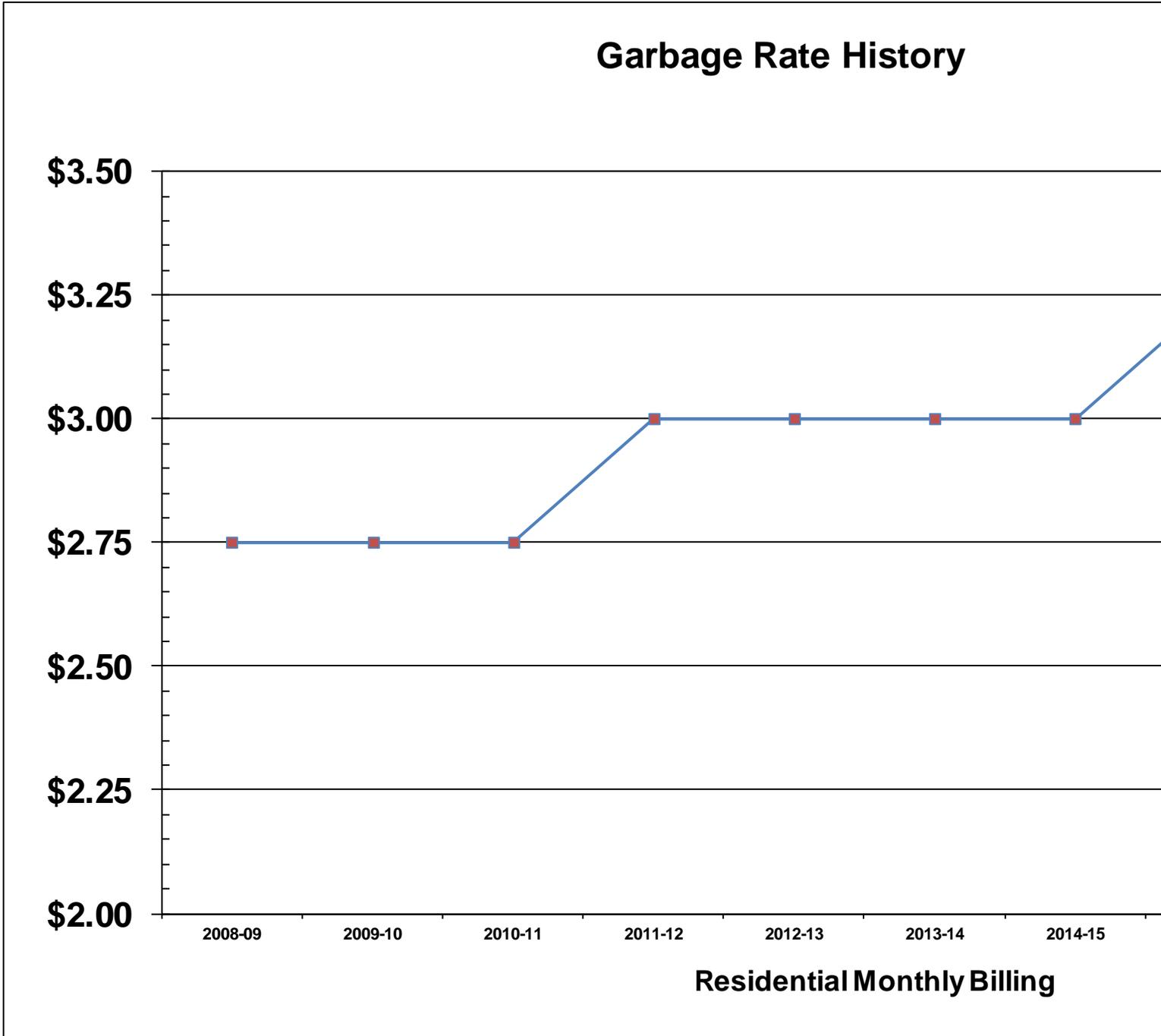
<u>Planned Activity</u>	<u>Amount</u>
Engineering for Wastewater Plant Upgrades and possible Expansion	\$ 250,000
Sanitary Sewer Repair – 2 <sup>nd</sup> Avenue South – South 4 <sup>th</sup> Street to South 16 <sup>th</sup> Street	\$ 203,250
Sanitary Sewer Repair – South 22 <sup>nd</sup> Street – Lake Shore Drive to 23 <sup>rd</sup> Avenue South	\$ 186,600
Sanitary Sewer Repair – 22 <sup>nd</sup> Street – 1 <sup>st</sup> Avenue North to 3 <sup>rd</sup> Avenue South	\$ 137,200
Inflow and Intrusion Study with Flow Monitoring	\$ 30,000

Due to increases in operating costs, a wastewater rate increase of 10% is included in the budget to meet departmental obligations and needs. With this increase, a typical residential customer using 60,000 gallons of water annually would experience a \$24.17 annual increase beginning July 1, 2018.



**Solid Waste Collection.** No (0%) garbage/recycling collection rate increases are proposed in the upcoming FY 2018-19 Budget.

### Garbage Rate History



**Motor Vehicle/Motorized Equipment.** Within the budget is a Motor Vehicle/Motorized Equipment Fund. The purpose of the fund is to pay for salaries, wages and operations required for the repair and replacement, purchase and operation of motor vehicle equipment and motorized equipment, and for the purchase of equipment, materials and supplies to be used in the administration and operation of the fund. This fund is primarily funded by each department under a rental and rate schedule for each unit in the fund.

The Motor Vehicle/Motorized Equipment budget is \$996,950 representing an increase of 0.8% over the current fiscal year. At the end of FY 2016-17, the Motor Vehicle/ Motorized Equipment net asset balance was \$357,751. At the end of FY 2017-18, projections show an estimated net asset balance of \$142,939. In the FY 2018-19 Budget a projected net asset balance of \$145,744 is being proposed. Because there are shortages in rental and replacement revenues from other funds such as the General Fund, we are simply not able to provide the revenue this fund needs under its current framework.

## Annual 2018/19 Budget Work Session

Therefore, this fund will require a complete review, overhaul and reworking in the upcoming year so that it can be reconfigured to adequately fund sustainable dollars for future needs.

The budget includes the purchase or upgrade of the following piece of equipment:

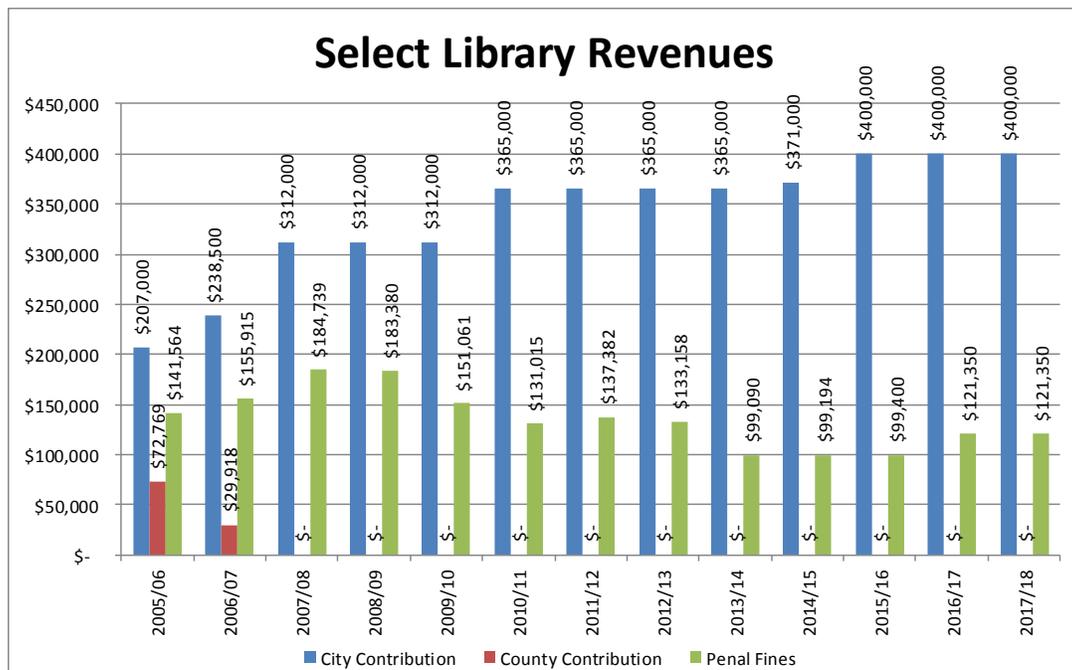
<u>Planned Activity</u>	<u>Amount</u>
Grader – Public Works	\$ 175,000
Spray Patch Machine – Public Works	\$ 50,000
Patrol Vehicle – Public Safety	\$ 38,000
¾ ton Service Truck – Water Department	\$ 35,000
Lawn Mower – Public Works	\$ 8,000

### Library Fund.

The Library Fund budget, which supports the day-to-day activities of the Library, is \$585,661. As of June 30, 2018, the Library Fund balance is projected to equal \$133,184. The Escanaba Public Library is a community hub, offering essential early literacy programs for children and families, cultural enrichment and lifelong learning opportunities for all ages, and serving as a conduit to the technological resources and expertise citizens need to function in a digital world.

For FY 2018-19, the library will continue progress on implementing the partnerships and initiatives outlined in its strategic plan, with continued emphasis on strengthening sustainability. Library administration is currently working with the Library Board of Trustees to set goals, establish priorities, and create a work plan to move the library forward. The Library continues to build meaningful community connections that enable early literacy and after-school enrichment programs and is currently working with the regional library cooperative to expand digital learning through innovative outreach services. Funding to support these enhanced programs and services is provided by the Friends of the Escanaba Public Library and further developed through grants and partnerships with local and regional partners.

The City’s General Fund appropriation for FY 2018-19 is proposed to remain the same at \$400,000. General Fund support continues to be the primary funding source for the Escanaba Public Library and could be impacted in the future should the State not fix the current revenue system for funding municipalities. Also, the State needs to amend current laws related to how penal fines are distributed amongst public libraries so as to better level the playing field.



## Annual 2018/19 Budget Work Session

**Department of Public Safety.** The Escanaba Department of Public Safety was created in the mid-1970's, at which time the police and fire departments were merged. In the budget, the Department of Public Safety represents 54% of the City's General Fund appropriation. In dollars, this translates to \$4,467,209 in the upcoming fiscal year. This figure does not include the costs associated with Dispatching Operations. In the 2017-18 fiscal year budget, the department had 31 sworn officers including Officers, Command Staff, Detectives, a Captain and the Director. In this proposed budget, the sworn officer head count is slated to increase to 32 including Officers, Command Staff, Detectives, a Captain and the Director. The funding for the increased sworn officer position will come from overtime savings within the department. With this addition, our sworn officer (all ranks) to citizen ratio will be approximately 1 to 385.

<b>PERFORMANCE MATTERS</b>					
<b>PUBLIC SAFETY – CRIME, TRAFFIC, AND FIRE</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Violent Crimes Per 1,000	20.6	29.0	20.2	31.5	25.0
Property Crimes Per 1,000	50.4	41.7	52.4	57.2	52.23
Traffic Injuries / Fatalities	65	73	51	46	75
Traffic Tickets - City Infraction	593	773	705	654	863
Traffic Tickets - Misdemeanor	324	185	145	128	191
Call Volume - Incident	7,600	7,512	8,212	8,408	8,281
Call Volume - Quick Call	13,803	14,557	14,811	14,835	15,155
Fire Calls	145	99	140	138	184
Escanaba Public Safety Case Clearance Rate	48%	52%	56%	52%	49%
Statewide Case Clearance Rate (Averages)	34.1%	36%	37%	36%	TBD

**Municipal Marina Operations.** The Marina Fund accounts for the activities of the Escanaba Municipal Marina. The publicly-owned Marina has 165 slips, including areas used to broadside tie against the basin seawall. The Municipal Marina offers a full array of services, including seasonal slip rental, transient slip rental, fuel, pump out services, bath facilities, water and electric hook up and laundry equipment.

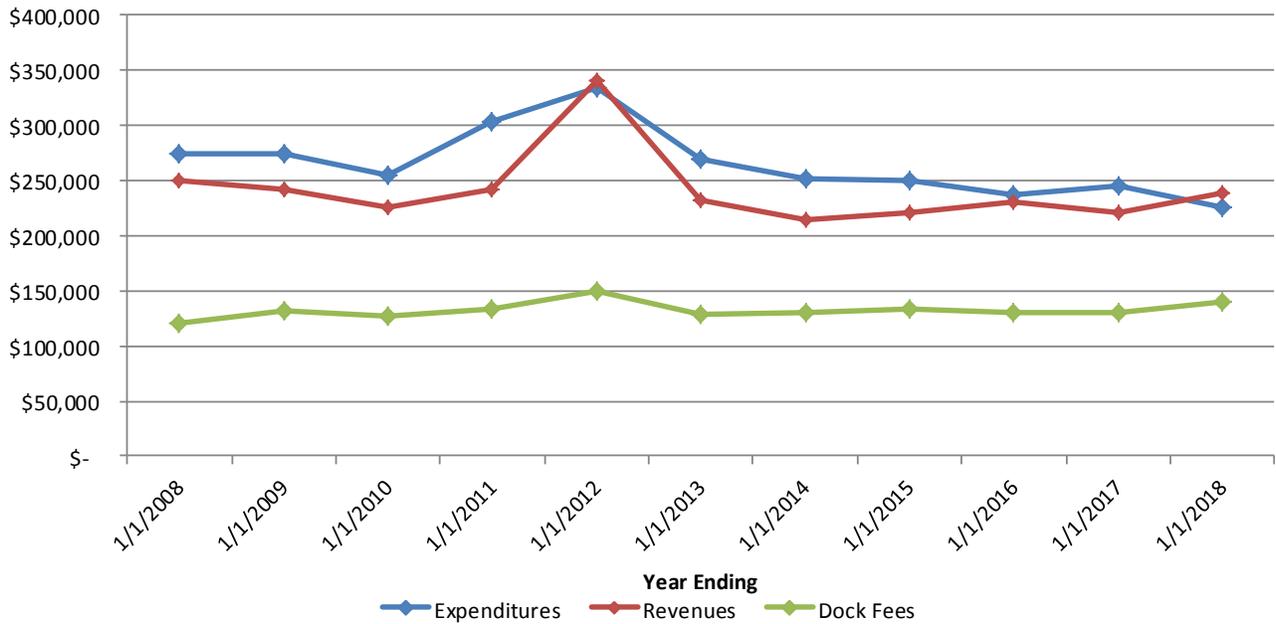
The Marina Fund budget is \$256,641, representing an increase of 0.21% over the current fiscal year. At the end of FY 2016-17, the Marina Fund balance was \$161,775, with a long-term debt obligation of \$246,318. At the end of FY 2017-18, projections show an estimated fund balance of \$184,099, with a long-term debt obligation of \$231,902. In the FY 2018-19 budget, a projected fund balance of \$153,759, with a long term debt obligation of \$217,053 is being proposed.

No rate increases are included in the budget. However, the docks located within the Marina are reaching or have exceeded their recommended normal service life. To address these types of concerns, the Harbormaster was tasked with completing a debt restructuring plan which was done in late 2016. This was done so that the Harbormaster could put together a Capital Replacement, Repair and Improvement Plan for future upgrades. Once completed and accepted by the City Council, the implementation of the plan will likely result in the necessity to increase future rates. Council approved a grant from Land Development Fund of \$150,000 to be used as matching funds for a Waterways grant for dock replacement. This project has been pushed back to the 2018/19 budget. Costs of engineering and construction are still being evaluated. If the engineer's estimates come in too high, the project may be cancelled for another year as we just learned that the insurance carrier for the underground fuel tanks at the Marina will no longer insure the tanks as of the end of this coming season. Costs for tank replacement are being gathered.

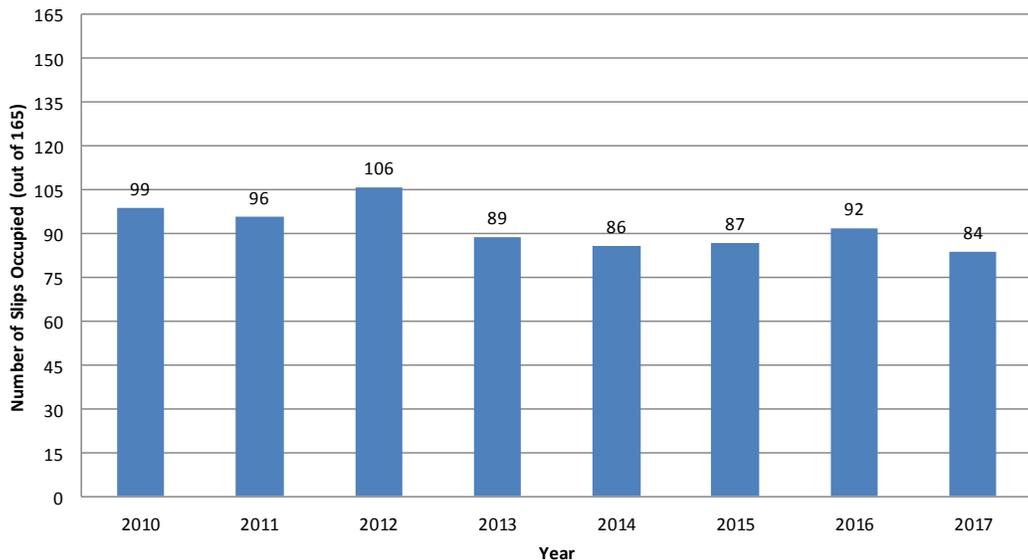
Of notable interest, the Marina Fund budget includes funding for:

<b><u>Planned Activity</u></b>	<b><u>Amount</u></b>
Marina Dock Replacement – Phase I (\$25,000 Marina Fund + \$150,000 Land Development Grant + \$175,000 Waterways Grant = \$350,000)	\$ 350,000

## 10 Year History - Total Expenditures, Total Revenues and Dock Fees



## Seasonal Boaters - Slips Occupied



**Downtown Development Authority Fund.** The Downtown Development Authority Fund budget, which supports the day-to-day activities of the Downtown Development Authority, is \$230,705, representing a decrease of 30% from the previous year's budget. The current cash balance is approximately \$(260,477).

Of notable interest, the Downtown Development Authority budget includes funding for:

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### Planned Activity

DDA District Sidewalk and Curb Repair  
DDA Parking Lot Improvements

### Amount

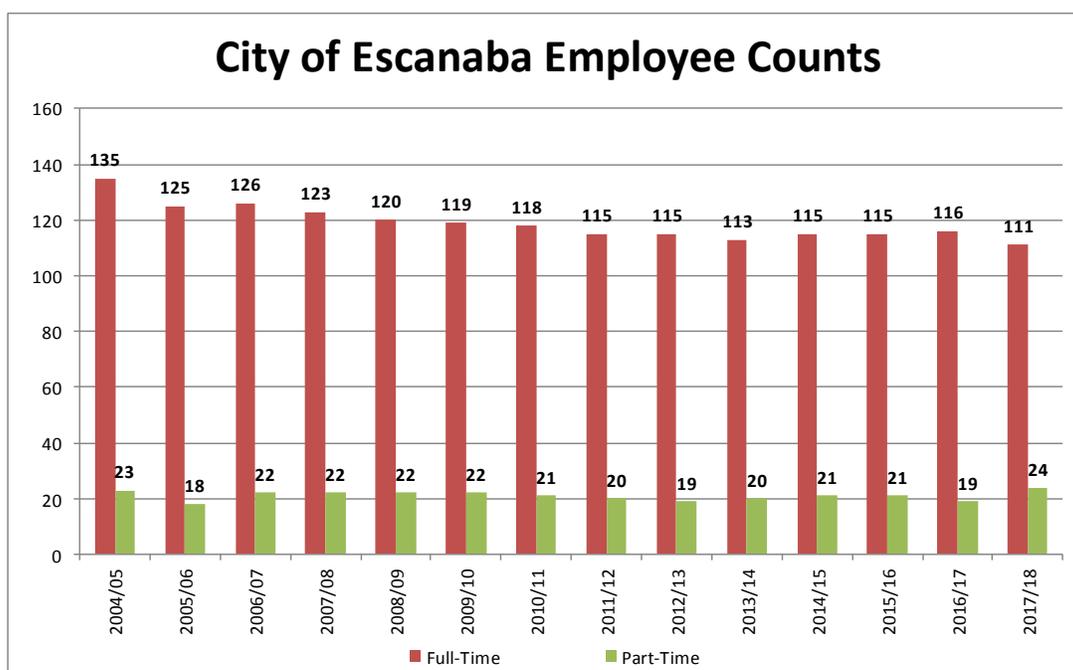
\$ 12,000  
\$ 4,000

**Escanaba Building Authority Fund.** The Escanaba Building Authority Fund budget, which supports the day-to-day activities and maintenance cost associated with the City Hall/Library Complex, is \$324,314, representing a decrease of 1.4% from the previous year’s budget. The current cash balance is approximately \$275,500.

**Master Fee Schedule.** Included with the budget is a “Master Fee Schedule” for services that are provided to City of Escanaba residents and non-residents alike. The intent is to have the fees reviewed annually by the City Council and adopted by resolution (unless otherwise mandated by State or Federal law) as part of the budget approval process. While the primary mission of government is to satisfy community needs, many City services solely benefit specific individuals or businesses and are subject to separate fees. As a matter of practice, the City will continue the policy of not subsidizing activities of private interest through general tax and utility rate revenues. Fees that do not recover the cost of providing the service result in a subsidy, which shifts away from other critical and high priority programs that may not have similar cost recovery options.

**Personnel and Staffing.** Full-time staffing levels in the budget include 116 employees. Part-time staffing levels are at 19 employees. Seasonal employee levels will fluctuate throughout the year, depending on the operational needs of the various departments. Routinely, City Administration examines all job vacancies closely to ensure that our human resources are aligned with our operational needs and our financial means. The proposed budget includes the addition of one sworn public safety officer. The proposed budget continues to fund the professional services agreement with Delta County for Level 3 assessing duties. We continue the search for an Assessor. The Council recently approved changing the part-time planning and zoning admin assistant to full time, providing for better customer service on the 2nd Floor of City Hall and lending administrative help to our Community Development Director. Franchise fees we charge Spectrum/Charter were increased slightly to 5% this year, providing the funds necessary to add this key staff position. Retirements of key personnel in the current fiscal year and into the next fiscal year are of concern. Any further loss of employees without replacement will most likely disrupt City operations and adversely affect current service levels.

All five (5) Collective Bargaining Units have agreements in place until June 30, 2020. The negotiation process to renew will begin in April 2020.



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**Health Insurance.** The budget takes into account a health premium increase of less than 1% as compared to 5.1% in the current fiscal year budget, depending on coverage, as a result of a contractual price increase from the Michigan Conference of Teamsters. In the budget, employee health insurance premium contributions will continue to be 20% of premium costs.

**Pension Obligations.** Over the last decade, the City has taken the necessary steps needed to address the unfunded pension obligations throughout the various pension plans. The City offers its non-public safety officer full-time employees hired prior to July 1, 2005 a defined benefit retirement pension through the Municipal Employees' Retirement System of Michigan (MERS). Based on the latest annual actuarial valuation report from MERS dated December 31, 2016, the City's plan is 58% funded, down from the 59% reported for the previous year. Employees full-time and part-time hired July 1, 2005 or later are provided with a MERS defined contribution plan. Under this plan, the City contributes a mandatory 4% of wages and will match the employee up to an additional 3%. Public Safety officers hired prior to July 1, 2014 participate in the Act 345 pension. Based on the latest annual actuarial valuation report date June 30, 2017, the plan is 82.81% funded, up from the 80.43% reported the previous year. Public Safety officers hired July 1, 2015 or later are provided with a defined contribution plan through ICMA. Under this plan, the City contributes a mandatory 10% of wages and the employee contributes a mandatory 6% of wages with the option to contribute as much as they like. As a result of the pension plan changes and marketplace conditions, funding the closed out plans continues to be an increasingly larger percent of payroll and a general stress to the overall budget city-wide. The aforementioned defined benefits and defined contribution plans are the only post-retirement benefits offered to employees. Retiree health insurance is not offered and never has been therefore, no OPEB liability exists for that purpose.

**Budget Schedule.** The budget has been developed with input from the City employees, City Council, City Boards, Commissions, and Committees and the public. This input is invaluable in terms of identifying the needs and desires of the community. The following schedule of reviews/actions has or will take place:

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December 28, 2017	Budget papers to department heads; operating budgets due 1/19/18.
January 5, 2018	<del>Publish notice of first Public Hearing for the 2018-19 City budgets at the 1/18/18 regular Council meeting.</del>
January 10, 2018	<del>City Council Budget Work Session</del>
January 18, 2018	<del>(Regular Council Meeting) First Public Hearing for citizen input into the 2018-19 City budgets.</del>
January 19, 2018	<del>Departmental operating budgets due.</del>
February 9, 2018	<del>Publish notice of second Public Hearing for the 2018-19 City budgets at the 2/15/18 regular Council meeting.</del>
February 12, 2018	<del>First draft of budget requests to City Manager.</del>
February 15, 2018	<del>(Regular Council Meeting) Second Public Hearing for citizen input into the 2018-19 City budgets.</del>
March 9, 2018	<del>Publish notice of third Public Hearing for the 2018-19 City budgets at the 3/15/18 regular Council meeting.</del>
March 15, 2018	<del>(Regular Council Meeting) Third Public Hearing for citizen input into the 2018-19 City budgets.</del>
March 23, 2018	Council receives tentative copy of the City budgets.
April 9, 2018	Budget work session open to the public.
April 10, 2018	Budget work session open to the public.
April 11, 2018	Budget work session, if required, open to the public.
April 19, 2018	(Regular Council Meeting) Council passes resolution to set May 3rd as the fourth Public Hearing on the 2018-19 City budgets.
April 20, 2018	Budgets are revised, based on the work sessions, and are made available to the public.
April 23, 2018	Publish notice of Public Hearings on budgets.
May 3, 2018	(Regular Council Meeting) Public Hearing on 2018-19 City budgets.
May 7, 2018	Publish notice of final hearing and adoption of 2018-19 City budgets. This notice must be at least 6 days prior to the budget adoption and must contain language to the effect that the tax rate will be a subject at this meeting, assuming that the City does not intend to roll back the millage by the base tax reduction fraction.
May 17, 2018	Public Hearing and adoption of City budgets. First reading of the Appropriations Ordinance, including the millage rate, and first reading of the Tax Levy Ordinance, with second reading and adoption set for the May 24th special meeting. First reading of Utility Ordinances, with second reading and adoption set for the Monday, June 4th special meeting.
May 24, 2018	(Special Council Meeting) Second reading and adoption of the Tax Levy Ordinance and the Appropriations Ordinance.
June 4, 2018	(Special Council Meeting) Second reading and adoption of the Utility Ordinances.

While it is my privilege to author this budget message, thanks must be given to the City Council, Department Heads, City employees, City Boards, Commission and Committee Members, and community members who committed themselves to assisting in this budget process. Collectively, as a team, I remain confident that the City will continue to utilize the

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combined knowledge and experience in meeting the challenges that lay ahead in providing more efficient City services and growing the community economically. As City Manager, I am fortunate to have a Council, community and dedicated employee support in providing the residents with the necessary resources, flexibility and funding which allows us all to live in a community that we can be proud of.

### **Electric Superintendent, Mike Furmanski – 9:09 a.m.**

Mr. Furmanski reviewed the 2018/19 proposed City Electric Budget with Council. The following was discussed:

- Finished North Shore Substation in March;
- Provided an update on the Solar Farm project;
- Electric Rate increase;
- Businesses closing and new businesses opening;
- Capacity purchases;
- Discussed declining revenues;
- Income, Expenditure, Capital Expenditure, and Operation Statements;
- Pole replacements;
- Discussed the annual conference that Mr. Furmanski attended;
- Discussed the Digger/Derrick Truck and Double Bucket Truck;
- Various Projects and their costs;
- Rate study;
- Meter replacement;
- Transmission and Distribution Statements;

### **Downtown Development Authority (DDA) – Edward Legault 10:20 a.m.**

DDA Director Ed Legault reviewed the DDA Budget with Council and discussed the following budget line items:

- Try to get more projects that would be bricks and mortar other than events;
- Deficit elimination plan with the State;
- Activity request has gone down substantially;
- Over 5 years we will be able to execute against our deficit elimination plan;
- Looking at different grant opportunities;
- Pocket parks;
- Marketing with the market place;
- Look at grant opportunities;
- Continue to fund the façade program and the upfront process, make it an annual event;
- Community Development Block Grant;
- Revenue and Fund Balance;
- Proposed Capital Improvements.

**Public Safety Department, Robert LaMarche – 9:56 p.m.**

Public Safety Director LaMarche reviewed the following 2018/19 proposed budget items with Council:

- Provided a recap of the current budget year which included Staffing levels, training needs obtained by Officers, and equipment purchases;
- Supplementing wage with the DDA;
- Redoing Dispatch Center;
- Changes from last year. Office expenses, transferred to capital building outlay;
- Building supplies, things get more expensive, clothing supplies jumped because of new officers coming in;
- Pending bill coming to put in another officer at the schools;
- Security at the schools;
- Public relations;
- Got involved with Big Brothers and Big Sisters;
- Capital out-lay building improvements dropped. Received two generators from the military;
- In-car video system;
- Request for a lawnmower/snow blower;
- Request for a new police vehicle;
- UPSET and Forfeiture Programs;
- Act 302-Public Safety Training;
- Dispatch Coordinator, and Dispatch Training;
- Other Funds – Central Dispatch; hard time finding part time employees;
- VHF radios use forfeiture money;

The time being 10:37 a.m., the Council recessed.

The Council came back into regular session at 10:46 a.m. and reviewed the following budgets.

**Human Resources Director/City Treasurer, Robert Valentine – 10:46 p.m.**

Mr. Valentine, in accordance with Michigan Public Act 20, provided and reviewed with Council the annual Treasurer's Investment Summary, which included a review of annual investments, City portfolio, summary of gains and losses, and current listings of eligible depositories.

Blasier moved, Schumann seconded, to approve the acceptance of the City Treasurer's Annual Investment Report, Investment Policy Statement as of 12/31/2017, and list of depositories as required by Michigan Public Act 20.

Upon a call of the roll, the vote was as follows:

Ayes: Blasier, Schumann, Beauchamp, Sattem, Tall

Nays: None

**MOTION CARRIED.**

Blaiser moved, Schumann seconded, to recertify the Investment Policy Statement.

Upon a call of the roll, the vote was as follows:

Ayes: Blasier, Schumann, Beauchamp, Sattem, Tall

Nays: None

**MOTION CARRIED.**

Mr. Valentine reviewed the following 2018/19 proposed budget items with Council:

- Reduced professional services;
- Printing and publishing;
- Software costs;
- Office supplies.
- Human Resources and Treasurer's Department Budgets.

**Marina Fund - Larry Gravatt – 11:15 a.m.**

Mr. Gravatt reviewed the Marina Budget with Council and discussed the following items:

- Reviewed Marina Fund-Income Statement, dock fees, services;
- Discussed Fuel/Oil Sales, no longer insure fuel tanks at the Marina starting next year because of the age of the tanks;
- Dock repairs and maintenance;
- Discussed condition of docks;
- Discussed looking into above ground tanks;
- Request for a new lawn mower;
- Discussed rate increase for next year;
- Discussed small boat (little sail boat) racing group;
- Discussed Marina Fest funds;
- Reviewed Boat Launch Budget – discussed removal of vault toilets and add concrete pad at Aronson Island Launch.

Council consensus to break for lunch at 12:09 p.m.

Council came back into regular session at 1:00 p.m.

**Water/Wastewater Superintendent, Jeff Lampi – 1:00 p.m.**

Mr. Lampi reviewed the following 2018/19 proposed Water/Wastewater budget items with Council:

Water Department:

- Income, Operation, and Capital Expenditure Statements;
- Loss of revenue, found \$48,000 shortage, irrigation meters;
- Discussed the Water Tower, renew the lease and increase rent on Water Tower;
- Disinfection byproducts system and waste program;
- Discussed the water main replacement on 1<sup>st</sup> Avenue South;
- Lead Service Replacement Grant;
- Testing fire hydrants;
- Discussed new water meters;
- Lab Certification (Every 3 years);
- Increase in Professional Services;
- Supplies – Cross Connection Control;
- Proposed projects and capital purchases and proposed budget increase;
- 10% Water increase;
- Request for a lawn mower;
- Plant Improvement projects.

WasteWater Department:

- Proposed projects, capital purchases and proposed budget increase;
- Saw Grant Update;
- Reviewed the Digester Valve & Mixer Automation;
- Replace C12 System;
- Engineering Costs for Plant Improvements;
- Discussed Lining Projects;
- Part-time to full-time secretary;
- Digester Cleaning and Sludge Hauling;
- Request for increase in Professional Services;
- Discussed motor vehicle fund;

The time being 2:45 p.m., the Council recessed.

The Council came back into regular session at 2:51 p.m. and reviewed the following budgets which included the General Fund, discussed 5% increase State revenue sharing, and Office Equipment;

City Council consensus for Council to get more involved with the Michigan Municipal League, and an increase in travel and training Expenses;

City Manager Jordan and City Controller briefly reviewed their individual Department Fiscal Year Budget.

Council continued to review the following General Fund Budget requests:

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- City Council;
- City Manager Request;
- City Controller;
- Request for Auditors;
- City Assessor – Contracted with the County;
- City Attorney;
- Board of Review;
- Request for City Hall and Grounds;
- Community Promotional;
- Request for Crossing Guards;
- Request for Street Lighting;
- Request for Community Services;
- Request for City Band;
- Request for Historical Museum; removed from policy
- Request for Tourism Promotion;
- Request for Bad Debts;
- Request for Transfer to Other Funds.
- EBA Fund-Income Statement
- Request for Capital Expenditures
- Fund Budget Request Workpaper
- Brownfield Fund Budget;
- Various Revolving Loan Funds;
- Farmers Home Grant;
- Gas Retirement Fund;
- Grants Fund;
- Housing Rehab Fund Budget;
- Land Development Fund Budget;
- M.S.C. Revolving Loan Fund;
- Office Equipment Fund;
- Parking Maintenance Fund;
- Risk Retention Fund;
- Sanitary Landfill Fund;
- U.D.A.G. Revolving Loan Fund;
- Unemployment Compensation Fund;
- Workers Compensation Fund.

Reviewed the Master Fee Schedule

### **Community Preservation, Blaine DeGrave – 3:36 p.m.**

Zoning/Community Preservation Director Blaine DeGrave provided an overview of his department with Council.

- More training for the Planning Commission;

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Hearing no further public comment and the time being 3:48 p.m., the Council recessed until 9:00 a.m., Tuesday, April 10, 2018.

Respectfully submitted,

Tammy Weissert, CMC, MCAO  
Deputy City Clerk

Approved: \_\_\_\_\_  
Marc D. Tall, Mayor