



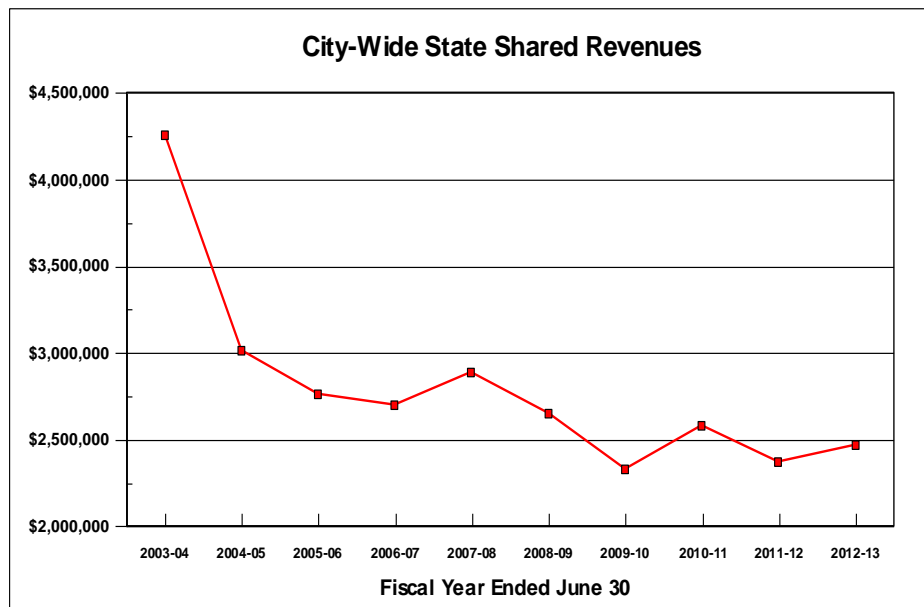
To the Honorable Mayor and City Council
City of Escanaba
Escanaba, Michigan

April 10, 2014

CITY MANAGER'S BUDGET OVERVIEW

Pursuant to the Escanaba City Charter and relevant state laws, I hereby submit for City Council and community review the recommended FY2014-15 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 web site: 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.

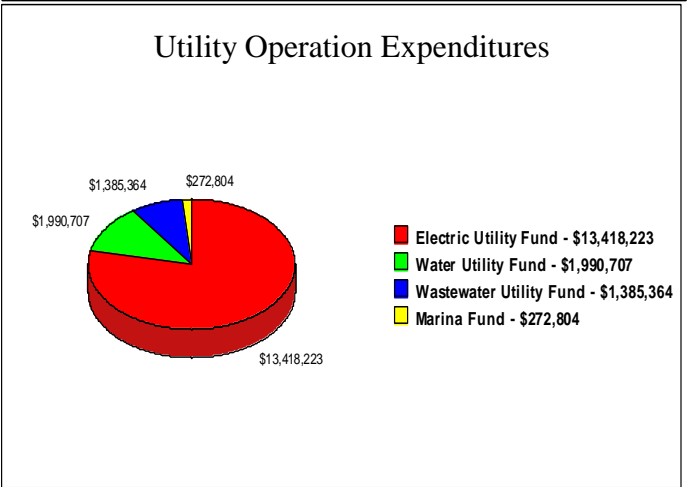
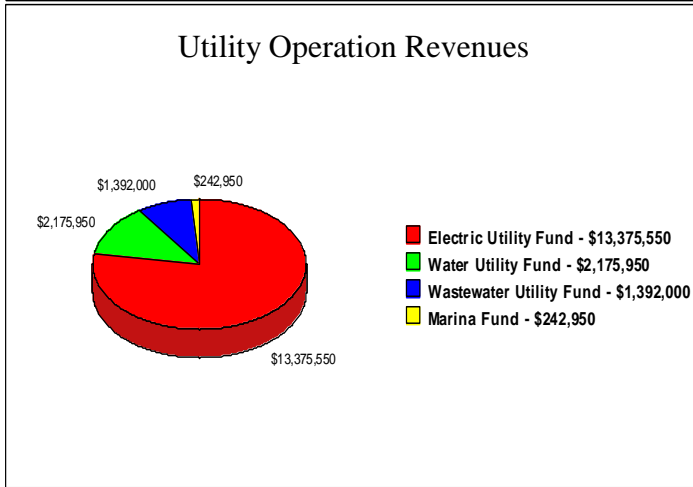
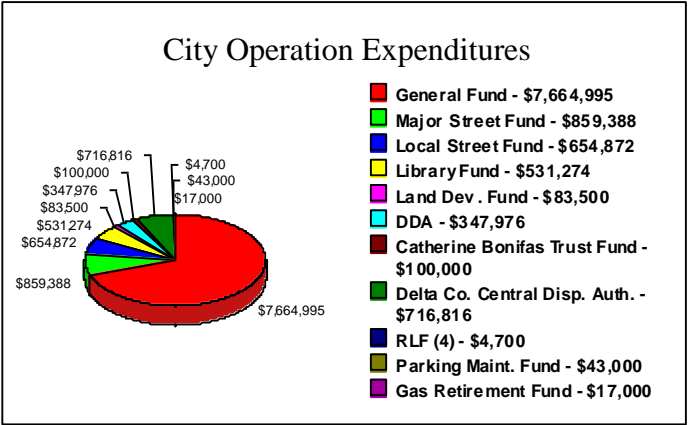
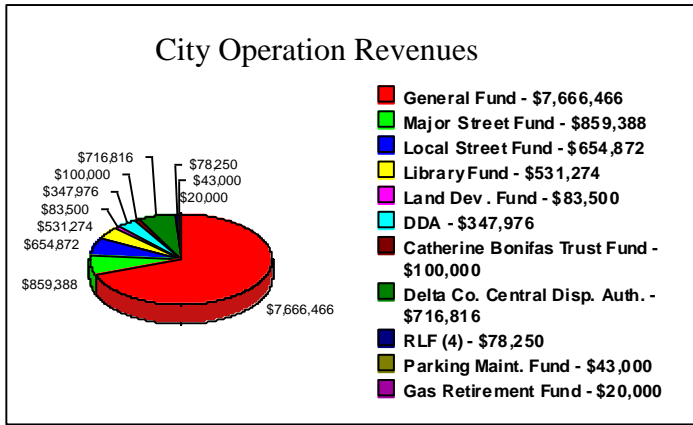
This budget, with over \$28 million in expenditures, reflects our commitment in providing core services to our community and was developed using the best available information and most current revenue projections. City Administration remains proactive in addressing potential revenue shortfalls, and will continue to monitor the actions of the Michigan Legislature that could impact local funding, such as the ongoing reduction in state revenue sharing over the last ten (10) years and the upcoming State Referendum on the elimination of the personal property tax in the State of Michigan.



Michigan's Revenue Sharing Program began in the early 1930's and through numerous changes has evolved into the current system. Two main purposes of revenue sharing were to 1) equalize revenue among local governments, which have widely differing capability to raise revenue, and 2) to supplement the relatively limited revenue raising ability of most local governments. Since 2000, the City of Escanaba's General Fund has had State Shared Revenue reduced by approximately \$500,000 annually.

Mission Statement:

Enhancing the enjoyment and livability of our community by providing quality municipal services to our citizens.



City Millage Rate. No millage increases are in the upcoming FY2014-15 Budget. The current property tax millage rate is 17 Mills, which has been in place since July 1, 1988. The permissible millage rate based on the budget is 19.11 Mills. For homeowners in the City, 41.5% of the total property tax bill is kept by the City of Escanaba to pay for all general fund services provided. The remaining 58.5% 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, the Delta County Sheriff Department, 911 Operations, the Delta Area Transit Authority and the Community Action Agency.

WHERE YOUR TAX DOLLAR GOES AS A HOMEOWNER



General Fund. The General Fund budget, which supports many of the day-to-day activities of the City, is \$7,664,995 representing a decrease of 2.57% from the previous year’s budget. At the end of FY2012-13, the General Fund fund balance was \$4,685,036, with a long-term debt obligation of \$2,415,000. At the end of FY2013-14, projections show an estimated fund balance of \$3,701,455, with a long-term debt obligation of \$1,250,000. In the FY2014-15 Budget, a projected fund balance of \$3,702,826, with a long-term debt obligation of \$1,125,000 is being budgeted. The Electric Utility will provide \$463,624 of financial support to the General Fund. It is important to remember that this assistance allows us to maintain our level of general governmental services without having to increase taxes or further reduce or eliminate services.

Of special interest, the proposed General Fund budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Civic Center Facility Roof Replacement (Bonifas Trust)	\$100,000
City Council MML Training Funds	\$1,000
Civic Center Facility Entry Cement Replacement	\$7,000
Public Safety Facility – Floor Covering Replacement	\$4,400
2014 Community Summer Events	\$5,000
Bonifas Fine Arts Center Operation Contribution	\$5,000
New Year’s Eve Fireworks Display	\$5,000
Delta County Historical Society Contribution	\$2,000
Bonifas Fine Arts Center Waterfront Art Festival	\$1,050
Local Street Improvement (transfer)	\$100,000
Escanaba Public Library (transfer)	\$371,000

Major/Local Street Funds. The City of Escanaba maintains 28.22 miles of major streets. Major Street Fund expenditures in the budget, which support the day-to-day activities such as maintenance and snow plowing, are proposed to be \$859,388. At the end of FY2013-14, projections show an estimated fund balance of \$1,770,471. The budget includes local appropriations in the amount of \$100,000 for general city-wide repaving of existing major streets.

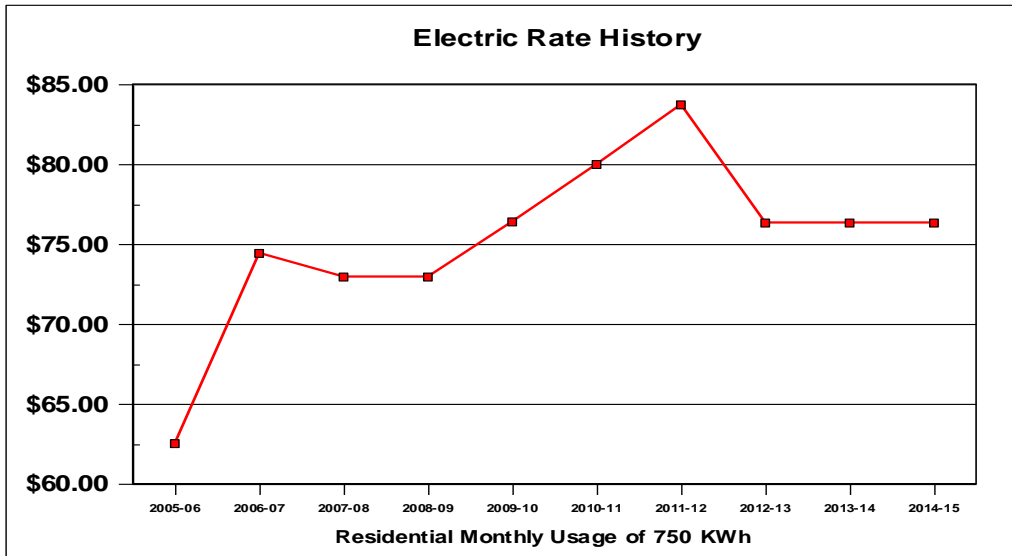
Additionally, the City of Escanaba maintains 55.05 miles of local streets. Local Street Fund expenditures in the proposed budget, which support the day-to-day activities such as maintenance and snow plowing, are proposed to be \$654,872. At the end of FY2013-14, projections show an estimated fund balance of \$754,810. The budget includes appropriations in the amount of \$300,000 for general City-wide repaving of existing local streets.

Electric Fund. The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$13,418,223, representing an increase of 2.2% from the previous year’s budget. As of June 30, 2013, the overall City Electric Fund net assets exceed \$23 million. The current cash balance is approximately \$11 million.

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

<u>Activity</u>	<u>Amount</u>
Power Pole Replacement	\$366,242
Street Light Replacement	\$124,334

No electrical rate increases (0%) are in the upcoming FY2014-15 Budget.

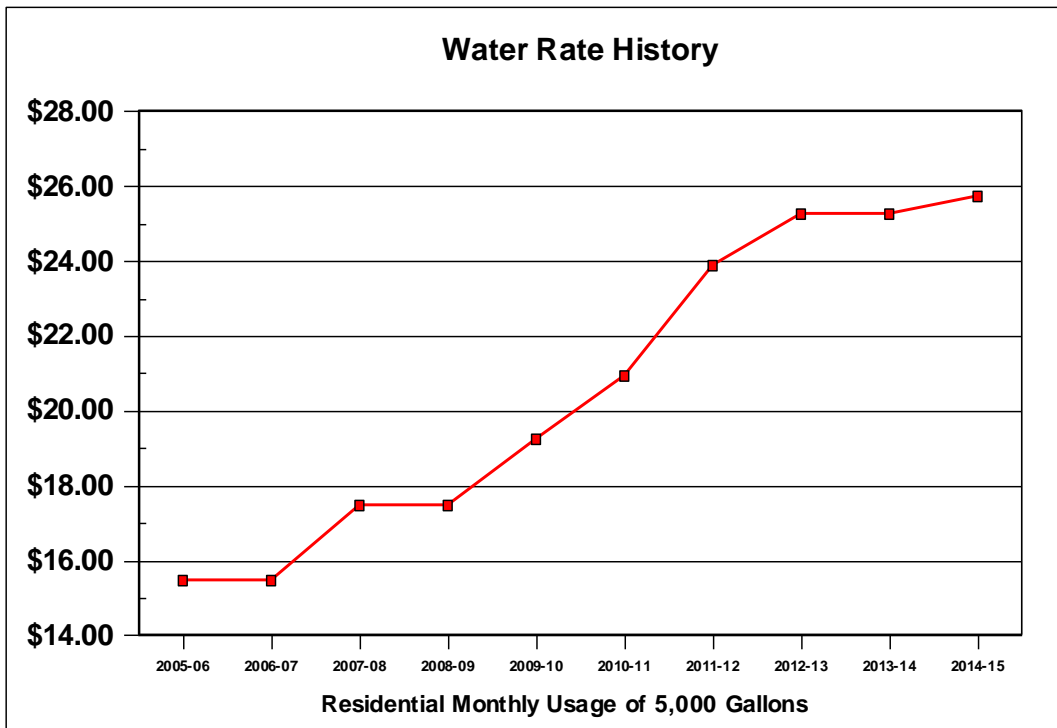


Water Fund. The Water Fund budget, which supports the day-to-day activities of the Water Treatment Plant, is \$1,990,707, representing an increase of 0.2% from the previous year's budget. As of June 30, 2013, the overall City Water Fund net assets exceed \$7.3 million. The current cash balance is approximately \$700,000.

Of special interest, the water budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Fire Hydrant Restoration and Painting	\$50,000
Water Thawing Services	\$3,000

A water rate increase of two percent (2%) is included in the budget. With this increase, a residential customer using 5,000 gallons of water per month should experience a \$0.49 increase in their monthly bill, beginning July 1, 2014.

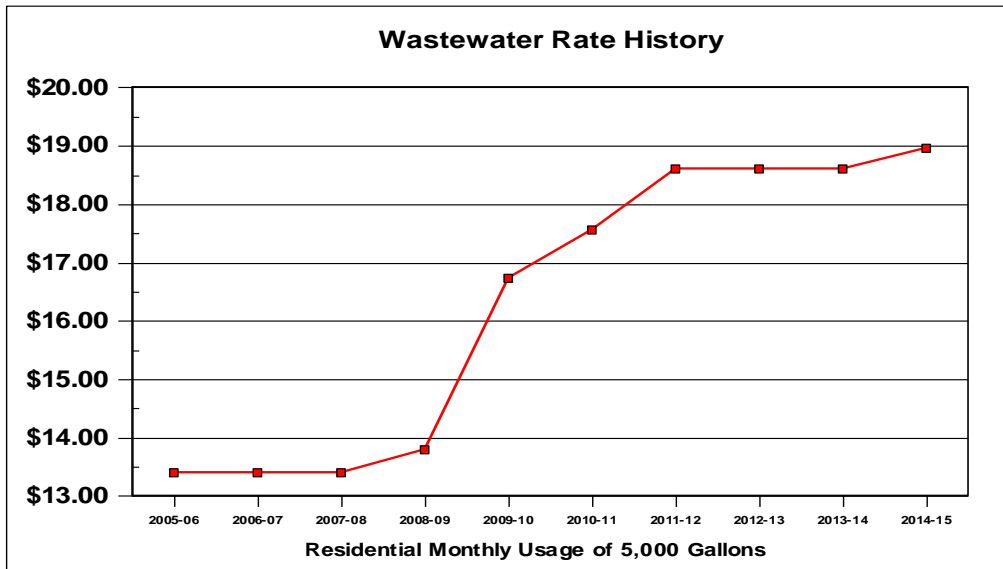


Wastewater Fund. The Wastewater Fund budget, which supports the day-to-day activities of the Wastewater Treatment Plant, is \$1,385,364, representing an increase of 5.3% from the previous year's budget. As of June 30, 2013, the overall City Wastewater Fund net assets exceed \$8.3 million. The current cash balance is approximately \$2.7 million.

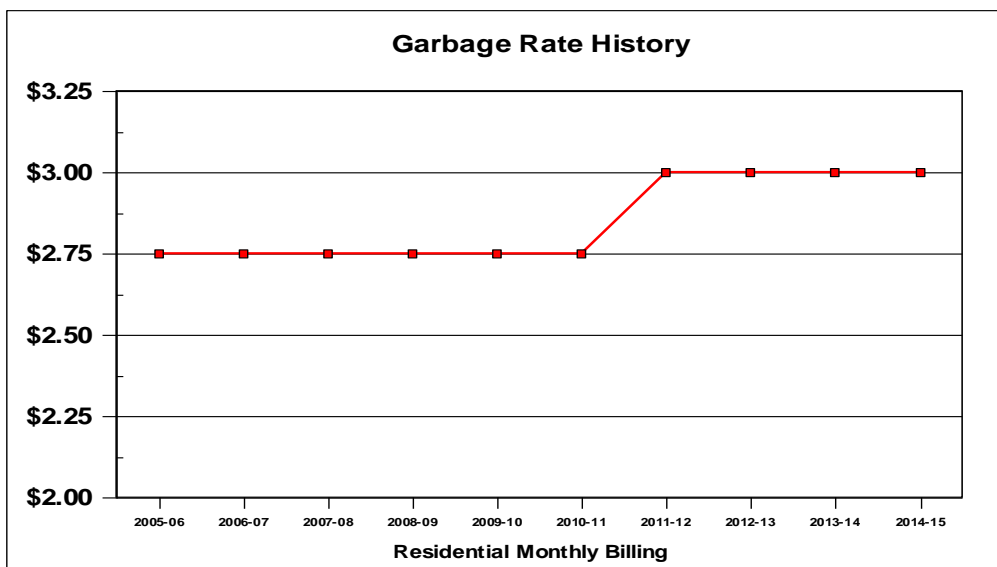
Of special interest, the wastewater budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Scada Computer and Operating System Upgrade	\$15,000
Cleaning and Refurbishment of Digester	\$98,000
Sludge Hauling Truck	\$275,000

A wastewater rate increase of two percent (2%) is included in the budget. With this increase, a residential customer using 5,000 gallons of wastewater per month should experience a \$0.37 increase in their monthly bill, beginning July 1, 2014.

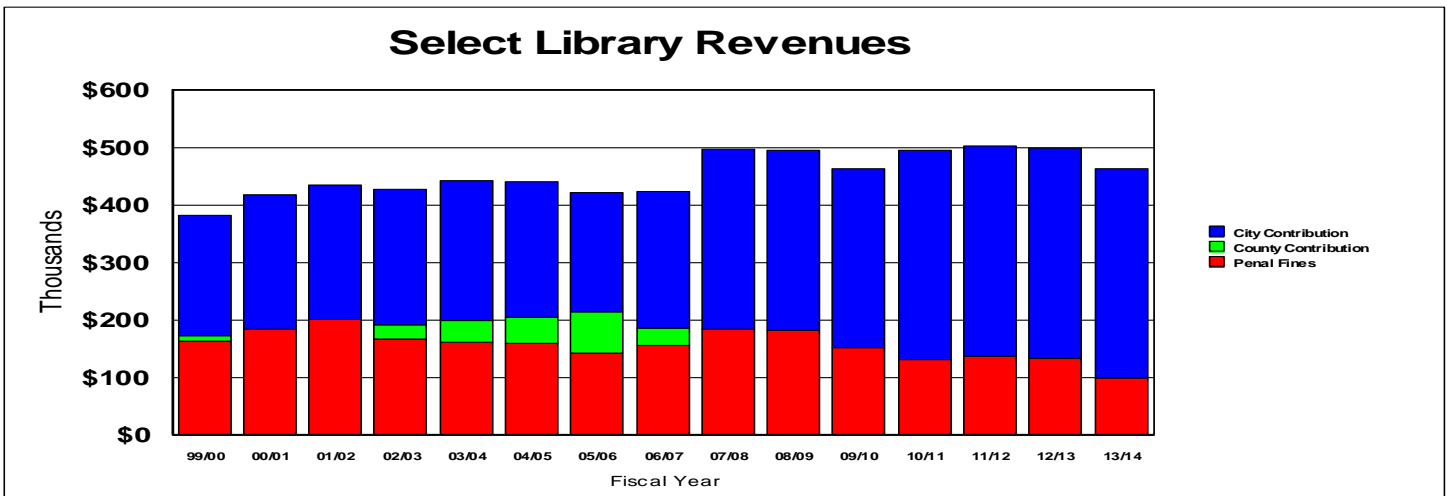


Solid Waste Collection. No garbage/recycling collection rate increases (0%) are proposed in the upcoming FY2014-15 Budget.

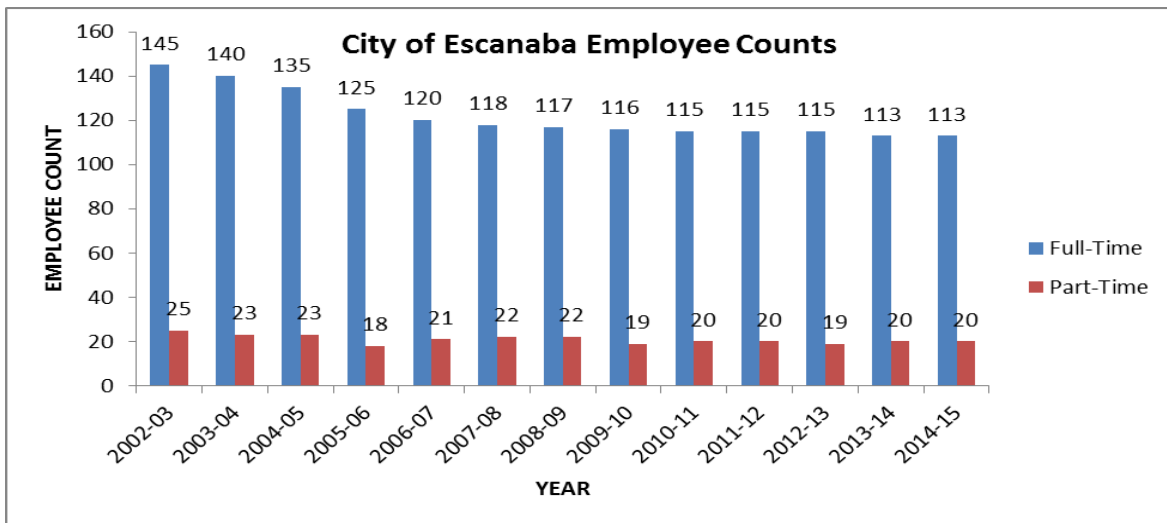


Library Fund. The Library Fund, which supports the day-to-day activities of the Library, is \$531,274. As of June 30, 2014, the Library Fund fund balance is projected to equal \$119,330. The Escanaba Public Library continues to play a critical role for our community as the State of Michigan transitions to a knowledge-based economy dependent on technology. The Escanaba Public Library strives to keep pace with increasing demands for digital skills and resources, while maintaining core services in a climate of declining revenues. Challenges for the Escanaba Public Library for FY2014-15 will include implementing a service area strategic plan that will prioritize service standards and strategic partnerships for sustainable funding. City Administration is concerned with the continuing erosion of State-mandated penal fine revenue administered by the County and the disparity in the level of financial support from the Escanaba Public Library’s service area; Delta County eliminated all funding to public libraries in 2007 and no Delta County township makes any discretionary contribution for services provided by the Escanaba Public Library.

The City’s General Fund appropriation for the Escanaba Public Library in FY 2014-15 is at \$371,000. With rising operating costs and no new revenues, this fixed appropriation does not meet the Escanaba Public Library’s proposed shortfall for FY2014-15 and will result in a 35% reduction to the Escanaba Public Library’s budget for new materials, in addition to a depleted fund balance. Without these measures, more severe reductions to public open hours, staffing levels and basic services would be required.



Personnel and Staffing. Full-time staffing levels in the budget include 113 employees. Part-time staffing levels are at 20 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. All five (5) collective bargaining units have agreements in place through June 30, 2014. New contract negotiations are being scheduled with each of the five (5) labor groups.



Health Insurance. The budget also takes into account a 4.3% health premium increase as a result of a contractual price increase from the Michigan’s Conference of Teamsters. In the budget, employee health insurance premium contributions will continue to be 20% of premium costs.

Pension Obligations. Employees of the City of Escanaba are in one of three retirement systems. Department of Public Safety Officers and Command Staff are enrolled in the Act 345 Defined Benefit Plan. The proposed budget reflects a projected \$2,716 increase in the Public Safety pension costs, resulting from increased wages. All other employees are enrolled in one of two plans administered by the Michigan Employees Retirement System (MERS). The first being the MERS Defined Benefit Plan for employees hired before or between July 1, 2005, and July 1, 2008, depending on their departmental assignment. The second being the MERS Defined Contribution Plan, which effects new hires. The proposed budget reflects a \$121,884 increase in cost to fund the MERS defined benefit plan. The increase is attributed to the accelerated amortization of the liability for our closed divisions, which was mandated by MERS. The cost to fund the MERS Defined Contribution plan remains at a constant 7% of payroll for those participants.

Motor Vehicle/Motorized Equipment Fund. Four (4) motor vehicles or motorized pieces of equipment are scheduled to be replaced in the budget:

<u>Activity</u>	<u>Amount</u>
Department of Public Safety – Two (2) Patrol Cars	\$60,000
Department of Public Works - ¾ Ton Extended Cab Truck with Plow	\$33,000
Department of Public Works – 1 Ton 4WD With Plow Pick Up Truck	\$40,000

Notable Budgeted Capital Improvements

Annually, the Escanaba Planning Commission is required by State law to prepare a recommended Capital Improvement Plan with public input and to submit that plan to the City Council. A capital improvement is any improvement and direct engineering cost which involves the construction, purchase, and/or renovation of a public way, space, building, structure, or utility. Notable improvements of the Planning Commission in this year’s Capital Improvement Plan/Budget include:

Non-Motorized Recreational Trail Upgrades – Year Round Trail – Land Development Fund/Private Donations/Grants \$5,000

Description: Look to upgrade the non-motorized recreational trail system and improve the conditions of the trail where possible. With significant increase in activity over the past couple of years, the City is also looking to relocate the current trail head to behind the Rod and Gun Club or by the Comfort Suites off of US 2-41. The increased activity has created a safety concern at the current trail head location.

DDA District Curb Repair Program – DDA \$25,000

Description: Funding to be allocated to repair most critical infrastructure repairs in the DDA District which could include street resurfacing, curb, brick pavers, sidewalk, and tree related problems-removal/replacement. Project evaluations, prioritization and ranking will be determined at a later date at a public hearing before the Downtown Development Authority Board of Trustees and Planning Commission.

Commercial Weatherization Optimization Program – Building Energy Improvements – DDA \$3,000

Description: The program will assist commercial property owners (within the DDA District) in making energy efficient upgrades to improve a building’s performance.

Property Acquisition, Purchase and Demolition Program – DDA \$50,000

Description: Funding will be set aside for property acquisition, clearance/demolition and blight elimination with the intent to reuse, rebuild, repurpose or preserve future uses of the property.

Parking Lot Improvements – Reline, Landscaping, Signage in Line With Identity/Theme – 1100 Block of 1st Avenue North – DDA \$6,000

Description: A DDA controlled parking facility located (Behind Ludington Center) on the 1100 block of 1st Avenue North. The facility contains a total of 59 spaces, none of which are designated accessible. Improvements include the installation of a new facility sign and landscaping.

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:

March 28, 2014		Proposed Budget released to the City Council
April 8, 2014	8:00 a.m.	Budget work sessions begin - City Hall
April 9, 2014	8:00 a.m.	Budget work sessions continue - City Hall
April 10, 2014	8:00 a.m.	Budget work sessions continue –City Hall – (If needed)
April 17, 2014	7:00 p.m.	(Regular Council Meeting) The Council will be asked to pass resolution setting May 15, 2014, as the fourth Public Hearing on the FY2014-15 City Budget – City Hall
May 15, 2014	7:00 p.m.	(Regular Council Meeting) Public Hearing and adoption on the FY2014-15 City Budget – City Hall
May 22, 2014	8:00 a.m.	(Special Council Meeting) Second reading and adoption of the Tax Levy and Appropriations Ordinance will take place – City Hall
June 2, 2014	8:00 a.m.	(Special Council Meeting) Second reading and adoption of the Utility Ordinance will take place – City Hall

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 am confident we will continue to utilize our 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 appreciate the Council, community and employee support in providing the City with the necessary resources, flexibility and funding which allows us all to live in a community that we can be proud of.

Respectfully Submitted,

James V. O’Toole
City Manager