

## City of Escanaba Special Council Meeting Monday, April 8, 2019

Pursuant to a meeting notice posted April 8, 2019, the Council of the City of Escanaba convened in special session in Room 101 of City Hall at 9:00 a.m., to begin the review and discussion of the proposed 2019/20 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, City Clerk Phil DeMay and various City Department Heads, media and public.

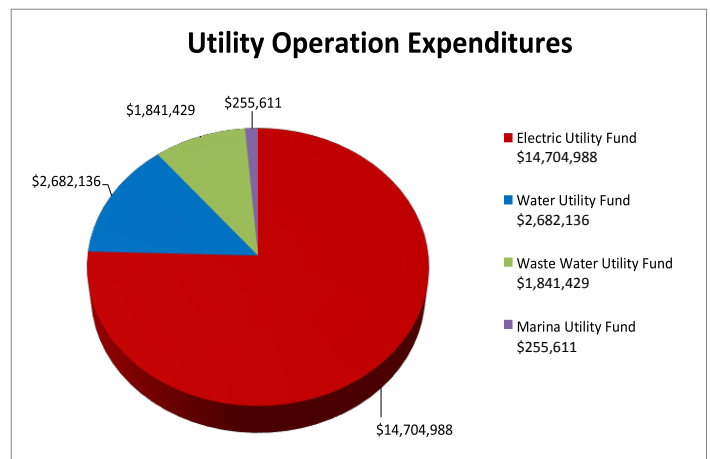
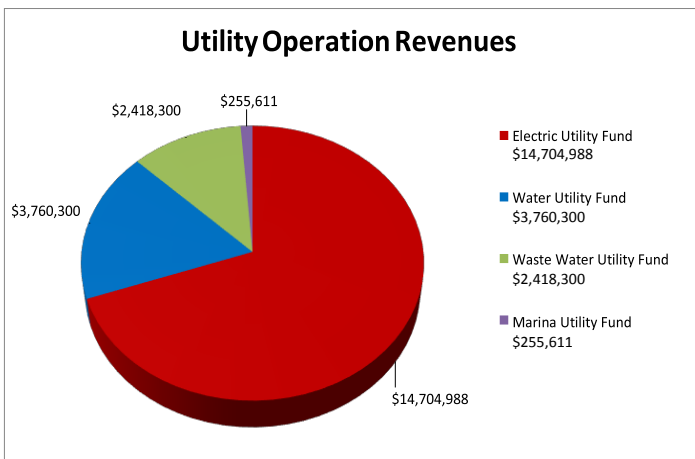
### GENERAL PUBLIC COMMENT – None

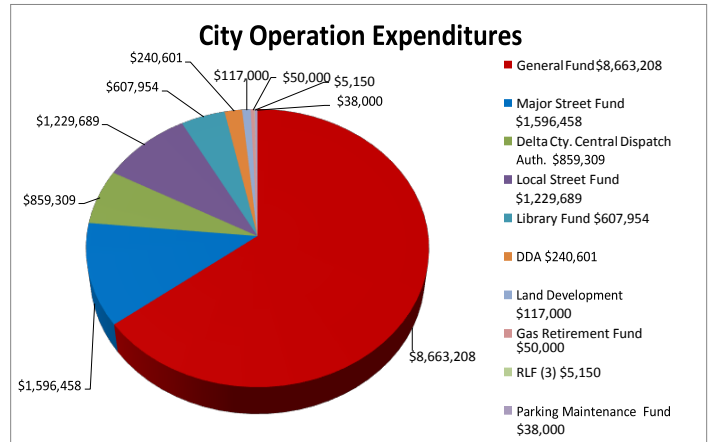
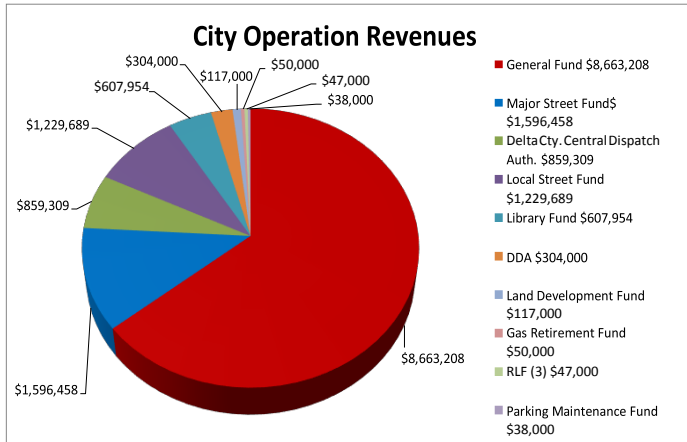
City Manager Patrick Jordan and City Controller Melissa Becotte presented Council the following Budget information:

### CITY MANAGER’S FINAL BUDGET OVERVIEW – FY 2019-20

Pursuant to the Escanaba City Charter and relevant state laws, I hereby submit for City Council and community review the final FY 2019-20 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.

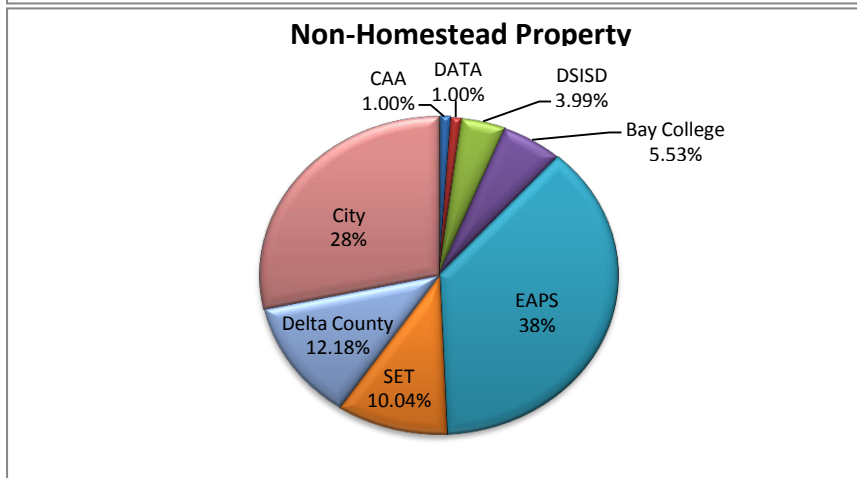
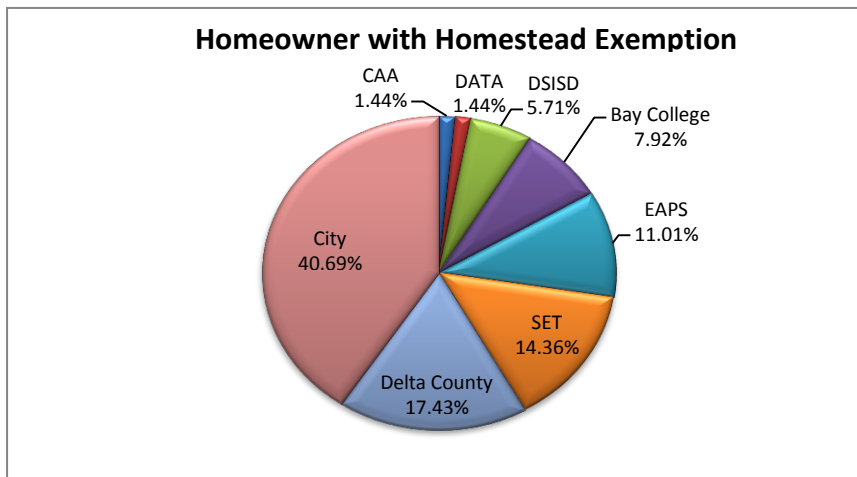




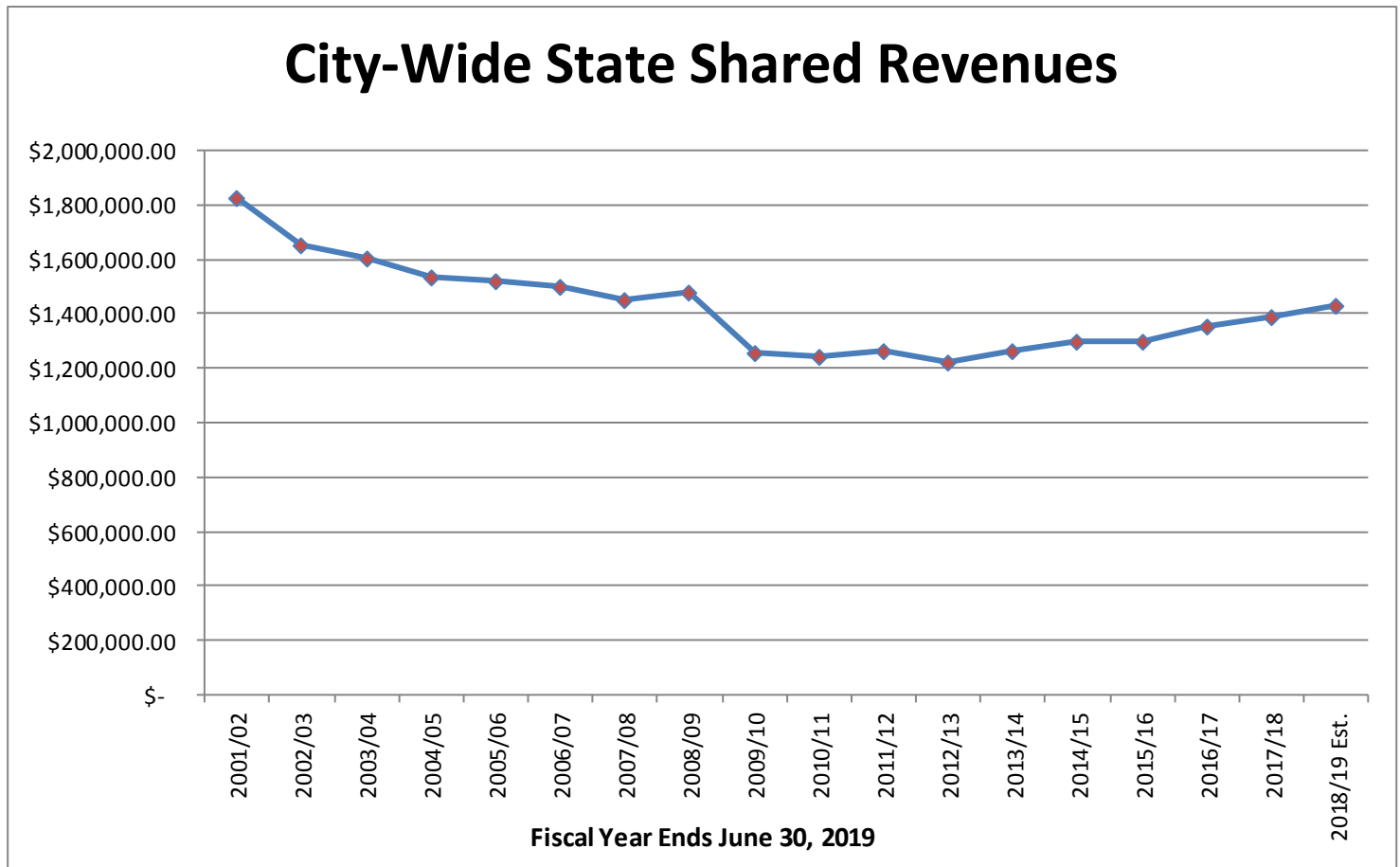
**City Millage Rate/Tax Rate and Tax Roll** - The final budget is based on a property tax rate of 17 mills, which will not require any tax increase in the upcoming fiscal year.

For homeowners in the City, 40.69% of the total property tax bill is kept by the City of Escanaba to pay for all General Fund services provided. The remaining 59.31% of a homeowner's tax bill is remitted to Delta County, the State of Michigan (SET), the Escanaba School District (EAPS), 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 College.

**WHERE YOUR TAX DOLLARS GO...**



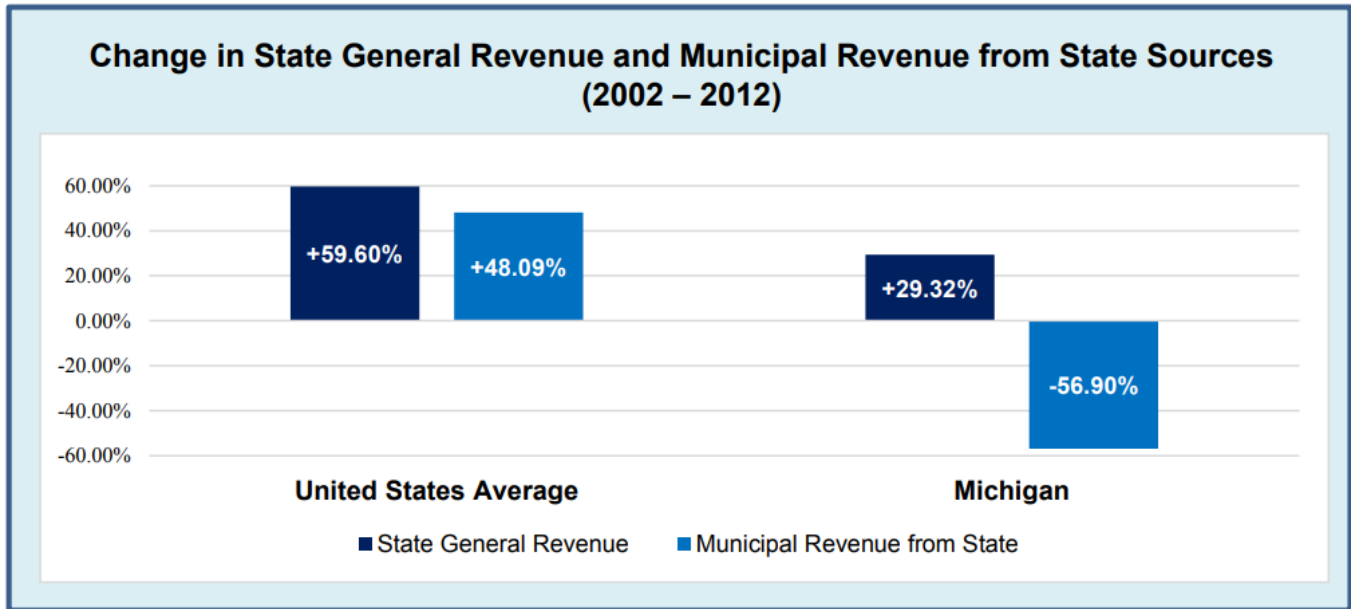
**General Fund** - The General Fund budget, which supports many of the day-to-day activities of the City, is \$8,663,208 (including transfers in from other funds), representing an increase of 4.3% from the previous year’s budget. At the end of FY 2017-18, the General Fund balance was \$4,891,022, with a long-term debt obligation of \$750,000. At the end of FY 2018-19, projections show an estimated fund balance of \$4,243,573, with a long-term debt obligation of \$625,000. In the FY 2019-20 Budget, a projected fund balance of \$4,642,692, with a long-term debt obligation of \$500,000, is being proposed. The budget includes an electric utility transfer of \$765,790. 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, and \$100,000 from 2019. All of this money has been included in a \$2,500,000 payment to the City’s Accrued Unfunded Liability in the MERS pension system, this payment was calculated to bring the City back into a manageable unfunded liability amount.



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 has 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 2017 is estimated to be over \$5.5 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%. In Michigan, municipal revenue from state sources declined 56.9% from 2002 to 2012. During this



same period, total state revenue for Michigan increased by 29.3% <sup>(1)</sup>

Amount of Revenue Sharing Lost Since 2002: (\$8,462,943.00)							
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	\$ 1,021,098.00	\$ 61,838.00	\$ 1,893,918.00	\$ (164,044.00)
2004	\$ 863,338.00	\$ 691,391.00	\$ 1,554,729.00	\$ 1,010,005.00	\$ 318,614.00	\$ 1,873,343.00	\$ (482,658.00)
2005	\$ 883,941.00	\$ 653,841.00	\$ 1,537,782.00	\$ 1,034,108.00	\$ 380,267.00	\$ 1,918,049.00	\$ (862,925.00)
2006	\$ 898,990.00	\$ 621,682.00	\$ 1,520,672.00	\$ 1,051,714.00	\$ 430,032.00	\$ 1,950,704.00	\$ (1,292,957.00)
2007	\$ 880,310.00	\$ 595,076.00	\$ 1,475,386.00	\$ 1,029,860.00	\$ 434,784.00	\$ 1,910,170.00	\$ (1,727,741.00)
2008	\$ 909,702.00	\$ 565,684.00	\$ 1,475,386.00	\$ 1,064,246.00	\$ 498,562.00	\$ 1,973,948.00	\$ (2,226,303.00)
2009	\$ 857,958.00	\$ 656,684.00	\$ 1,423,642.00	\$ 1,003,711.00	\$ 438,027.00	\$ 1,861,669.00	\$ (2,664,330.00)
2010	\$ 831,675.00	\$ 434,512.00	\$ 1,266,187.00	\$ 972,963.00	\$ 538,451.00	\$ 1,804,638.00	\$ (3,202,781.00)
2011	\$ 847,091.00	\$ 419,096.00	\$ 1,266,187.00	\$ 990,998.00	\$ 571,902.00	\$ 1,838,089.00	\$ (3,774,683.00)
2012	\$ 901,640.00	\$ 294,759.00	\$ 1,196,399.00	\$ 1,054,814.00	\$ 760,055.00	\$ 1,956,454.00	\$ (4,534,738.00)
2013	\$ 920,305.00	\$ 315,816.00	\$ 1,236,121.00	\$ 1,076,650.00	\$ 760,834.00	\$ 1,996,955.00	\$ (5,295,572.00)
2014	\$ 941,887.00	\$ 331,029.00	\$ 1,272,916.00	\$ 1,101,898.00	\$ 770,869.00	\$ 2,043,785.00	\$ (6,066,441.00)
2015	\$ 956,680.00	\$ 341,137.00	\$ 1,297,817.00	\$ 1,119,204.00	\$ 778,067.00	\$ 2,075,884.00	\$ (6,844,502.00)
2016	\$ 955,764.00	\$ 341,137.00	\$ 1,296,901.00	\$ 1,118,133.00	\$ 776,996.00	\$ 2,073,897.00	\$ (7,621,504.00)
2017	\$ 1,010,849.00	\$ 341,137.00	\$ 1,351,986.00	\$ 1,182,576.00	\$ 841,439.00	\$ 2,193,425.00	\$ (8,462,943.00)

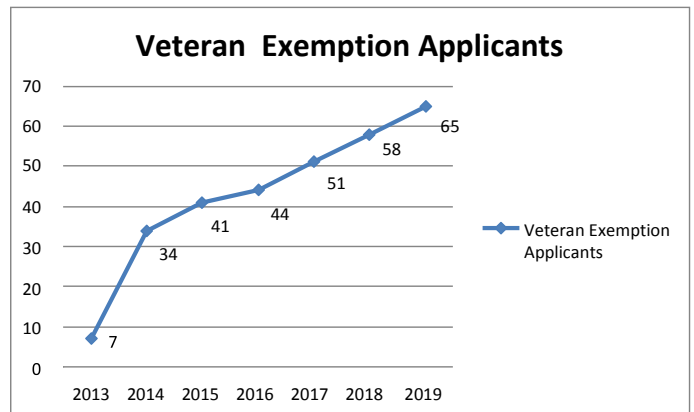
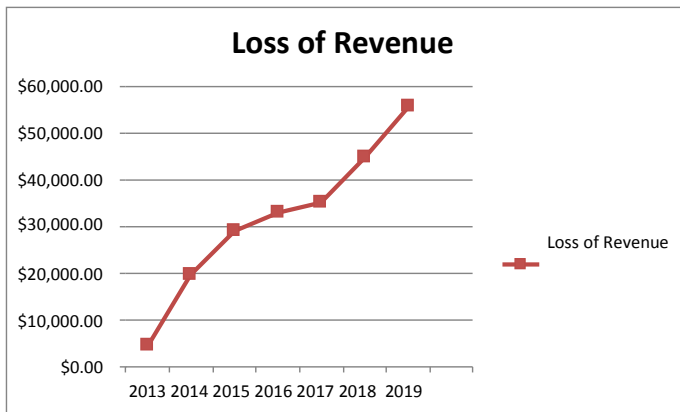
(1) Great Lakes Economic Consulting – April 2016 – "Michigan's Great Disinvestment"

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 \$8,462,943 <sup>(2)</sup> in revenue shares.

Assumes that statutory revenue sharing continued on the same gain or loss pattern as was the case with constitutional revenue sharing. (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, which total \$493,031.70 to date, and refunds to property owners. There are currently seven (7) commercial cases pending before the tax tribunal with an aggregate contested taxable value of \$5,847,882, which equates to \$100,141 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 \$55,000 +/- 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 and personal days, sick and funeral leave are earned for newly hired employees in an attempt to control costs. This program also applies to the 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 \$1,596,458. At the end of FY 2018-19, projections show an estimated fund balance of \$1,815,053.

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 \$1,229,689. At the end of FY 2018- 19, projections show an estimated fund balance of \$674,604.

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 70% of our street surfaces are considered to be substandard and in need of repair and upgrade, even after the resurfacing of 3<sup>rd</sup> Avenue North from Stephenson to Lincoln Rd. and Danforth Rd. The winter of 2018-19 was one of the harshest and coldest in recent memory and took a toll on our roads.

As you know, late in 2015, Governor Snyder 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 Gretchen Whitmer on road funding initiatives to determine how street funding projections will be impacted. Cities and Road Commissions get their funding through Act 51, which fairly distributes moneys generated by gas and weight taxes and registration fees. However, there is an increasing push downstate to reformulate Act 51 dollars, possibly even a statewide ballot initiative, which would greatly disadvantage the Upper Peninsula.

Major and Local Street Projects in the budget include:

<b>Planned Activity</b>	<b>Amount</b>
Resurfacing and Curb Repair City Wide – Major Streets TBD	\$ 500,000
Sheridan Rd. from 8 <sup>th</sup> Ave. to 10 <sup>th</sup> Ave. - Resurface	\$ 200,000
Resurfacing and Curb Repair City Wide	\$ 500,000
New Road Construction, Paving, Curb and Gutter – Local Streets	
S. 32 <sup>nd</sup> St, 3 <sup>rd</sup> Ave. S. to 4 <sup>th</sup> Ave. S. - Special Assessment (City portion \$29,500)	\$ 60,000
Storm Sewer Re-lining N. 20 <sup>th</sup> St-3 <sup>rd</sup> Ave. to 6 <sup>th</sup> Ave.	\$ 225,000

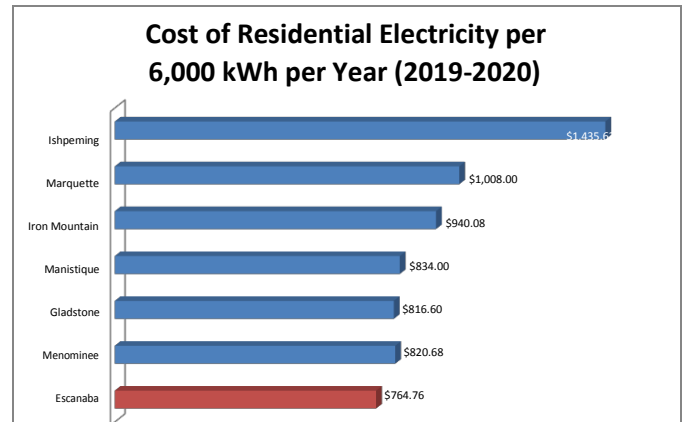
**Electric Fund** - The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$14,704,988 representing an increase of 10.4% from the previous year’s budget. As of June 30, 2018, the overall City Electric Fund net assets exceed \$19.4 million. The current cash balance is approximately \$11.3 million.

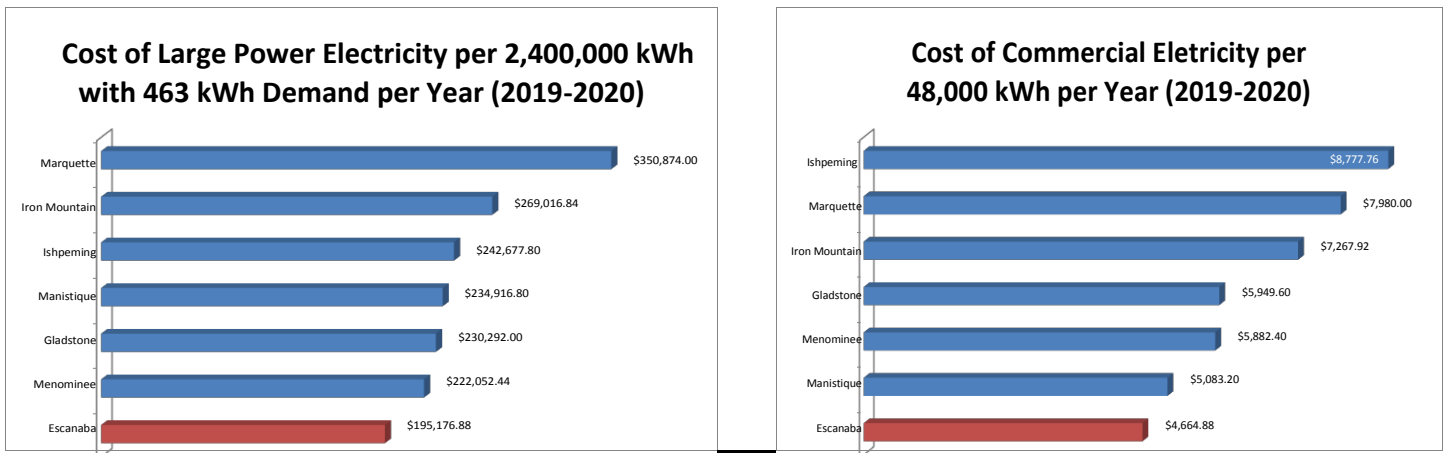
Of notable interest, the Electric Fund budget includes funding for:

<b>Planned Activity</b>	<b>Amount</b>
System Wide Meter Replacement (Remote Read and SCADA equipment)	\$ 2,000,000
Purchase of a Digger / Derrick Truck	\$ 250,000
Electric Department Security System Upgrade	\$ 5,000
Power Pole Replacement	\$ 200,000
West Side Substation Improvements	\$ 900,000
Ford River Underground Line Replacement	\$ 75,000
Power Pole Replacement – Ludington Street	\$ 80,000
Street Light Replacement – City Wide	\$ 80,000

A 1.75% electrical rate increase is included in the upcoming FY 2019-20 Budget.

Projected Example of Customer Classification and Usage - Effective July 2019			
City (Utility)	Residential 500 kWh/yr	Commercial 4,000 kWh/yr	Large Power 200,000 kWh & 463 kW
Escanaba		\$ 4,474.56	
City of Escanaba	\$ 764.76	\$ 4,664.88	\$ 195,176.88
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	\$ 1,435.62	\$ 8,777.76	\$ 242,677.80





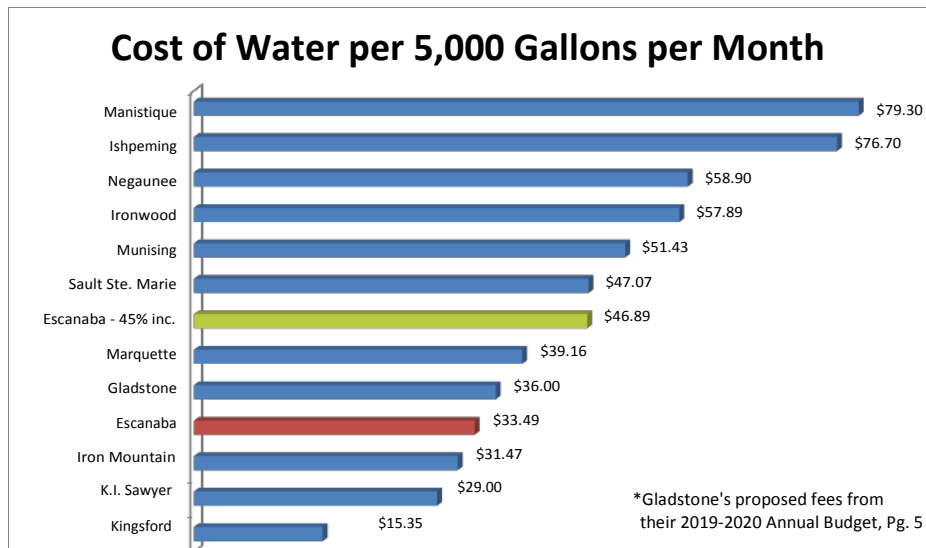
**Water Fund** - The Water Fund budget, which supports the day-to-day activities of the Water Treatment Plant, is \$2,682,136 representing an increase of 17.2% from the previous year’s budget. This is due to as-yet unknown demands from the State of Michigan as well as a payment into the MERS retirement system for the Unfunded Liability associated with the Water Fund. As of June 30, 2018, the overall City Water Fund net assets exceed \$7.1 million. The current cash balance is approximately \$1,000,000.

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

<b>Planned Activity</b>	<b>Amount</b>
Water Main Replacement – TBD	\$ 1,500,000
Distribution System – Replace Water Meters	\$ 200,000
Plant Improvements – Disinfection By-product System	\$ 200,000
Fire Hydrant Painting	\$ 50,000
Purchase of ¾ ton Service Truck	\$ 35,000
Trailer-mounted valve exerciser	\$ 75,000

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.

In the proposed FY 2019-20 budget, a water rate increase of 45% is being proposed to meet departmental obligations and needs. With this increase, a typical residential customer using 5,000 gallons of water monthly would experience a \$13.40 monthly increase beginning July 1, 2019.

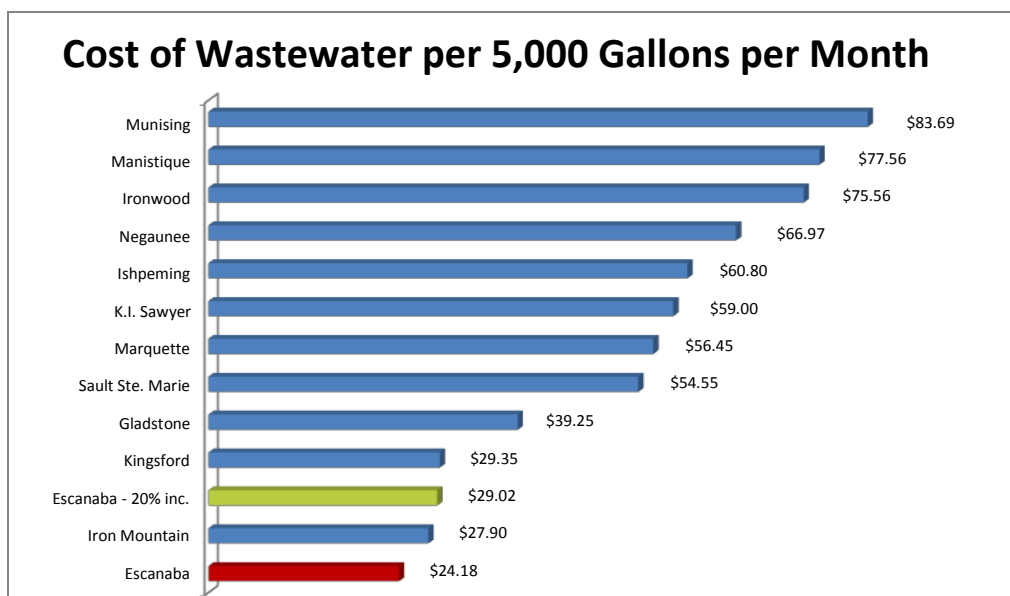


**Wastewater Fund** - The Wastewater Fund budget, which supports the day-to-day activities of the Wastewater Treatment Plant, is \$1,841,429, representing an increase of 8% from the previous year's budget. As of June 30, 2018, the overall City Wastewater Fund net assets exceed \$6.9 million. The current cash balance is approximately \$2.7 million.

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

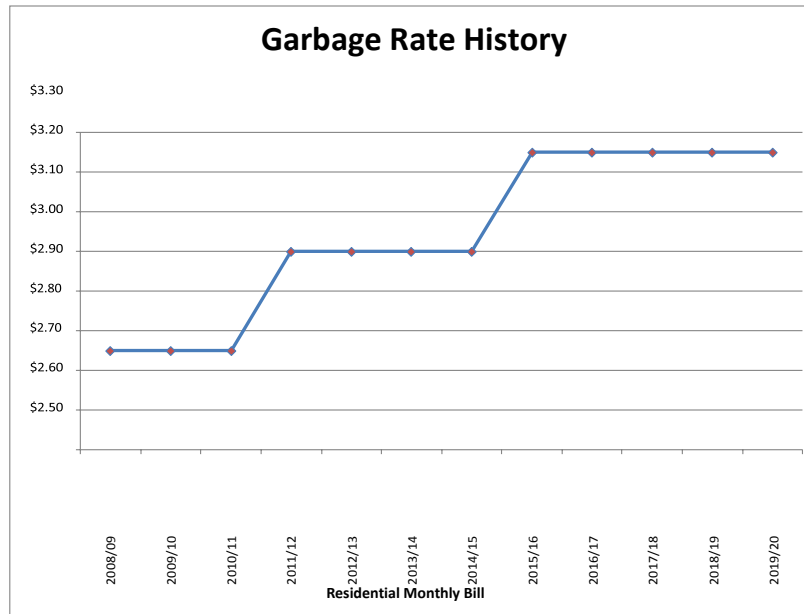
<u>Planned Activity</u>	<u>Amount</u>
Replacement of Operations equipment at WW Plant	\$ 210,000
Sanitary Sewer Repair – 2 <sup>nd</sup> Avenue South – South 4 <sup>th</sup> Street to South 16 <sup>th</sup> Street	\$ 203,250
Sanitary Sewer Repair – South 22 <sup>nd</sup> Street – Lake Shore Drive to 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
Replacement of 400' of San. Sewer S 22 <sup>nd</sup> St	\$ 100,000

Due to increases in operating costs, a wastewater rate increase of 20% is included in the budget to meet departmental obligations and needs. With this increase, a typical residential customer using 5,000 gallons of water monthly would experience a \$4.84 monthly increase beginning July 1, 2019.





**Solid Waste Collection** - No (0%) garbage/recycling collection rate increases are proposed in the upcoming FY 2019-20 Budget.



**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 \$1,065,150, representing an increase of 6.8% over the current fiscal year. As of June 30, 2018, the Motor Vehicle/ Motorized Equipment cash balance was \$398,379. As of June 30, 2019, projections show an estimated net asset balance of \$20,000. In the FY 2019-20 budget a projected net asset balance of \$50,000 is being proposed. Because there are shortages in rental and replacement revenues, rental rates are being adjusted closer to the MDOT Schedule C Rates in an effort to increase revenue. This will be a multi-year process.

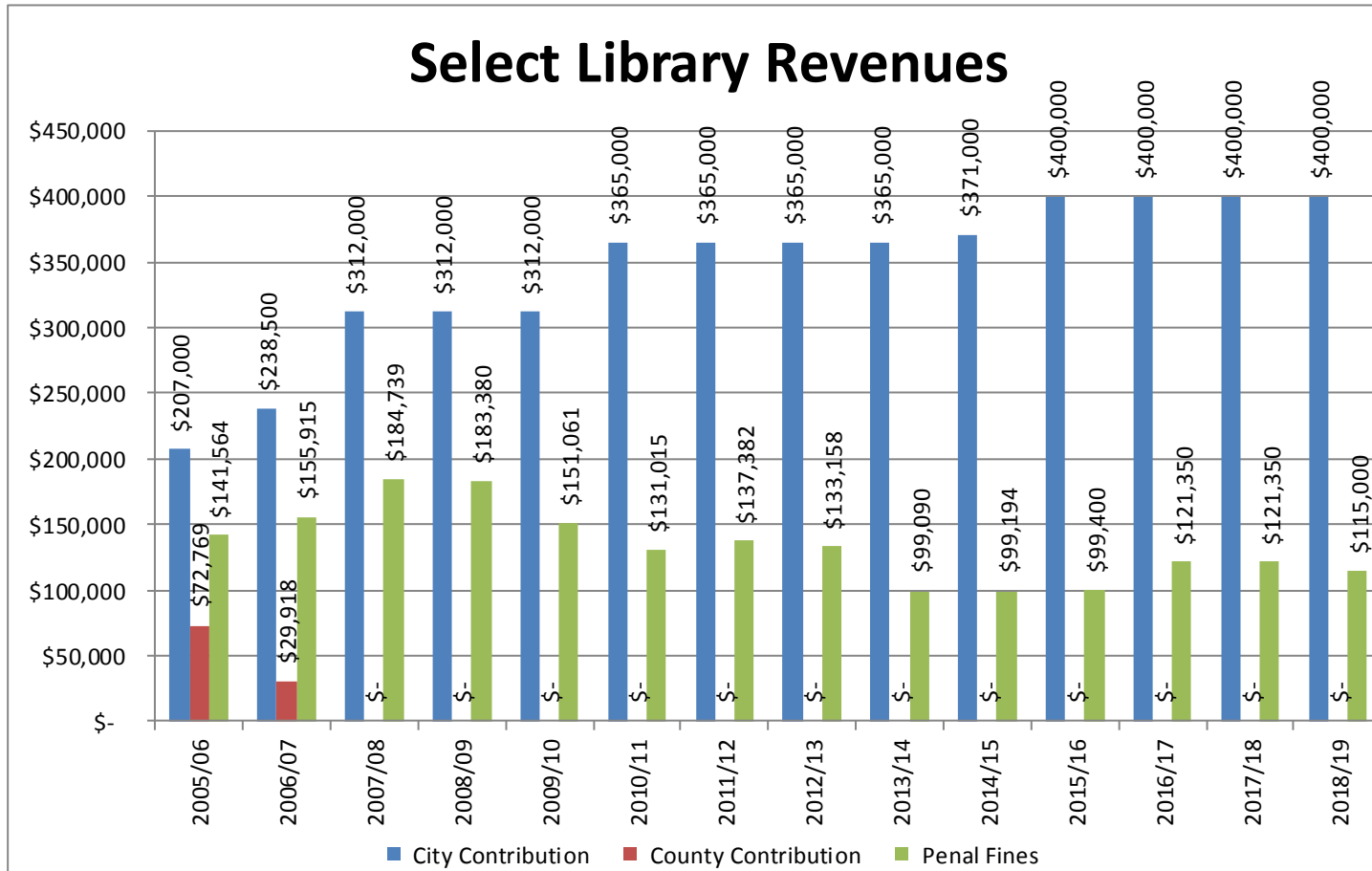
The budget includes the purchase or upgrade of the following piece of equipment:

<b>Planned Activity</b>	<b>Amount</b>
Plow/Dump Tandem Truck w/wing – Public Works	\$ 180,000
(2) Patrol Vehicles – Public Safety	\$ 90,000
¾ Ton 2wd Chassis Flatbed-Public Works	\$ 30,000
Side Disc mower for Tractor – Public Works	\$ 15,000

**Library Fund** - The Library Fund budget, which supports the day-to-day activities of the Library, is \$607,954. As of June 30, 2019, the Library Fund balance is projected to equal \$126,756. 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 2019-20, the Library will continue progress on implementing the partnerships and initiatives outlined in its strategic plan, with priority placed on technology instruction, local history preservation and marketing. The Library continues to build meaningful community connections that enable early literacy and after-school enrichment programs.

The City's General Fund continues to be the primary funding source for the operations costs of the Library. Funding for 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.



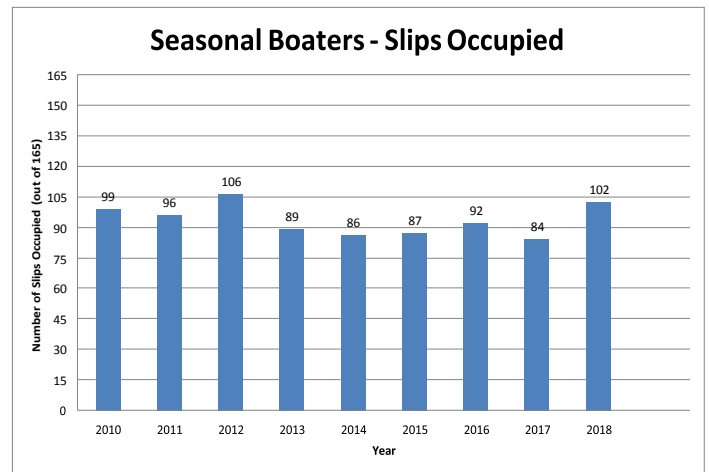
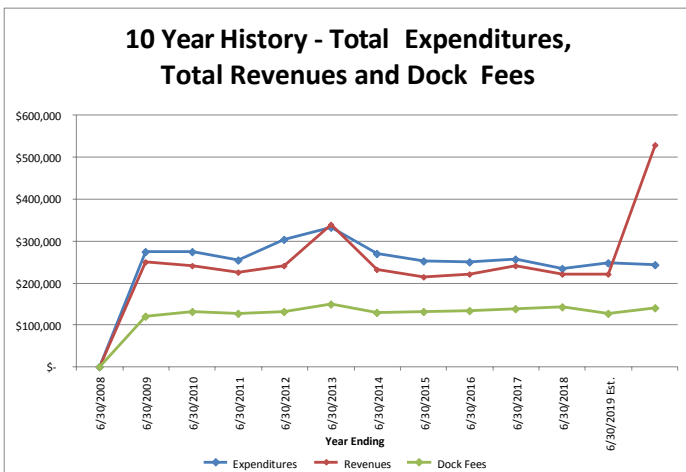
**Department of Public Safety** - The Escanaba Department of Public Safety was created in the mid-1970's, at which time the police and fire departments were merged. In the budget, the Department of Public Safety represents 47.2% of the City's General Fund appropriation. In dollars, this translates to \$4,591,659 in the upcoming fiscal year. This figure does not include the costs associated with Dispatching Operations. In the 2018-19 fiscal year budget, the department had 32 sworn officers including Officers, Command Staff, Detectives, a Captain and the Director. Our sworn officer (all ranks) to citizen ratio will be approximately 1 to 385.

PERFORMANCE MATTERS					
PUBLIC SAFETY – CRIME, TRAFFIC, AND FIRE					
	2014	2015	2016	2017	2018
Violent Crimes Per 1,000	29.0	20.2	31.5	25.0	33.36
Property Crimes Per 1,000	41.7	52.4	57.2	52.23	23.28
Traffic Injuries / Fatalities	73	51	46	75	33
Traffic Tickets - City Infraction	773	705	654	863	1,226
Traffic Tickets - Misdemeanor	185	145	128	191	170
Call Volume - Incident	7,512	8,212	8,408	8,281	7,847
Call Volume - Quick Call	14,557	14,811	14,835	15,155	16,181
Fire Calls	99	140	138	184	114
Escanaba Public Safety Case Clearance Rate	52%	56%	52%	49%	50%
Statewide Case Clearance Rate (Averages)	36%	37%	36%	TBD	35%

**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 \$255,611. As of June 30, 2018, the Marina Fund balance was \$161,775, with a long-term debt obligation of \$231,902. As of June 30, 2019, projections show an estimated fund balance of \$184,099, with a long-term debt obligation of \$217,053. In the FY 2019-20 budget, a projected fund balance of \$153,759, with a long term debt obligation of \$201,759 is being proposed.

A slight rate increase of approximately 4% is included in the budget.



**Downtown Development Authority Fund** - The Downtown Development Authority Fund budget, which supports the day-to-day activities of the Downtown Development Authority, is \$240,601, representing an increase of 4.2% from the previous year’s budget. The current cash balance is approximately \$(170,251).

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

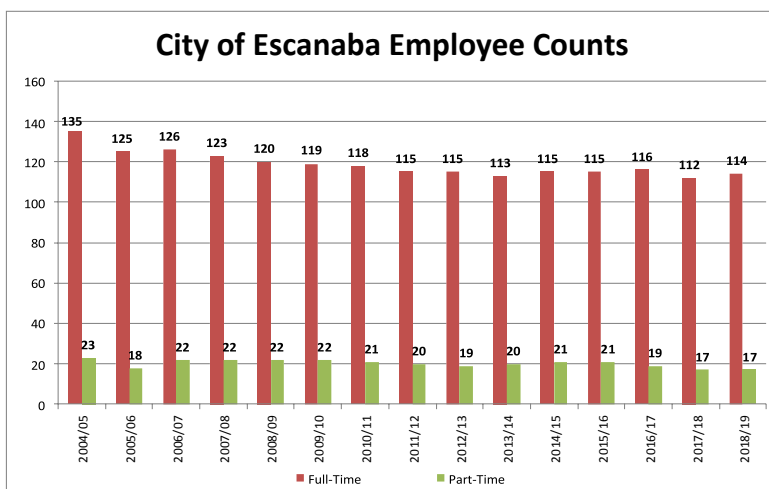
<u>Planned Activity</u>	<u>Amount</u>
DDA District Sidewalk and Curb Repair	\$ 12,000
DDA Parking Lot Improvements	\$ 4,000

**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 \$323,794, representing a decrease from the previous year’s budget. The current cash balance is approximately \$292,910.

**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 117 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 continues to fund the professional services agreement with Delta County for Level 3 assessing duties. We continue the search for an Assessor. Retirements of key personnel continue to be an area 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.



**Health Insurance** - The budget takes into account a health premium increase of less than 6% as compared to 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, 2017, the City's plan is 58% funded; the same as 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, 2018, the plan is 85.49% funded, up from the 82.81% reported the previous year.

## Annual 2019/20 Budget Work Session

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:

- ~~December 27, 2018 — Budget papers to department heads; operating budgets due 1/21/19.~~
- ~~January 4, 2019 — Publish notice of first Public Hearing for the 2019-20 City budgets at the 1/17/19 regular Council meeting.~~
- ~~January 9, 2019 — City Council Budget Work session 10:00 am.~~
- ~~January 17, 2019 — (Regular Council Meeting) First Public Hearing for citizen input into the 2019-20 City budget.~~
- ~~February 8, 2019 — Publish notice of second Public Hearing for the 2019-20 City budgets at the 2/21/19 Regular Council meeting.~~
- ~~February 11, 2019 — First draft of budget requests to City Manager.~~
- ~~February 21, 2019 — (Regular Council Meeting) Second Public Hearing for citizen input into the 2019-20 City budget.~~
- ~~March 8, 2019 — Publish notice of third Public Hearing for the 2019-20 City budgets at the 3/21/19.~~
- ~~March 21, 2019 — (Regular Council Meeting) Third Public Hearing for citizen input into the 2019-20 City budget.~~
- ~~March 22, 2019 — Council receives tentative copy of the City budgets.~~
- April 8, 2019            Budget work session open to the public.
- April 9, 2019            Budget work session open to the public.
- April 10, 2019          Budget work session, if required, open to the public.
- April 18, 2019          (Regular Council Meeting) Council passes resolution to set May 2, 2019, as the fourth Public Hearing on the 2019-20 City budgets.
- April 19, 2019          Budgets are revised, based on the work sessions, and are made available to the public.
- April 22, 2019          Publish notice of Public Hearings on budgets.
- May 2, 2019            (Regular Council Meeting) Public Hearing on 2019-20 City budgets.
- May 6, 2019            Publish notice of final hearing and adoption of 2019-20 City budgets. This notice must be at least six (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 16, 2019            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 23, 2019 special meeting. First reading of Utility Ordinances, with second reading and adoption set for the Monday, June 3, 2019 Special Meeting.
- May 23, 2019            (Special Council Meeting) Second reading and adoption of the Tax Levy Ordinance and the Appropriations Ordinance.
- June 3, 2019            (Special Council Meeting) Second reading and adoption of the Utility Ordinance.

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 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 – 9:20 a.m.**

Mr. Furmanski reviewed the 2019/20 proposed City Electric Budget with Council. The following was discussed:

- Provided an update on the Solar Farm project;
- Electric Rate increase;
- Capacity purchases;
- Discussed declining revenues;
- Income, Expenditure, Capital Expenditure, and Operation Statements;
- Pole replacements;
- Discussed bidding out projects;
- Discussed the annual conference that Mr. Furmanski attended;
- Discussed the Digger/Derrick Truck and Double Bucket Truck;
- Various Projects and their costs;
- Rate study;
- Discussed meter replacement and charges;
- Transmission and Distribution Statements;
- Electric Vehicle discussion;

**Downtown Development Authority (DDA) – Edward Legault 9:45 a.m.**

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

- Discussed Deficit Elimination Plan with the State;
- Activity request has gone down substantially;
- 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;
- Revenue and Fund Balance;
- Proposed Capital Improvements;
- Discussed parking lot and curb improvements;
- Scaled back Administrative Assistant's hours;

**Public Safety Department, Robert LaMarche – 10:00 a.m.**

Public Safety Director LaMarche reviewed the following 2019/20 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;
- Update on 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;
- Security and crossing guards at the schools;
- Got involved with Big Brothers and Big Sisters;
- Capital out-lay building improvements
- In-car video system update;
- Request for a new police vehicle;
- Act 302-Public Safety Training;
- Other Funds – Central Dispatch; hard time finding part time employees;
- Discussed training, education and travel budgets;
- Discussed new server, wireless AP, conference room IT needs;
- Discussed the use of Body cams Pros/Cons;
- Discussed strategy to attracting new hire employees.

The time being 10:43 a.m., the Council recessed.

The Council came back into regular session at 10:51 a.m. and reviewed the following budgets.

**City Clerk, Phil DeMay – 10:52 a.m.**

Clerk Office Budget:

- Propose fee increases;
- Deputy Clerk full time.

Elections Budget:

- Movement of Precinct 4;
- Election Inspector salary increase.
- Discussed Election needs;

Office Equipment Budget:

- Replacing old Cat5 cable with Cat6 Cable in City Hall and Public Safety;
- Updating/ Upgrading Servers;
- Website discussion;
- Keyfob update;
- Wireless update;

**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;
- Dock repairs and maintenance;
- Discussed condition of docks;
- Hook up of water systems;
- Discussed “Yellow Bike” system. Looking for a replacement plan;
- Discussed the Sea Scout boats.

**City Assessor – 11:30 a.m.**

Assessor reviewed Department budget with Council. The following was discussed:

- Tax Tribunal appointment and case updates;
- Overview of Board of Review amendments would be updated;
- Overview of Veteran Exemptions, and Personal property changes;
- Overview of City Revenues;
- Board of Review Budget.
- Assistant Assessor staff update.

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

Council consensus to break for lunch at 12:04 p.m.

Council came back into regular session at 12:40p.m.

**Water/Wastewater Superintendent, Jeff Lampi – 12:40 p.m.**

Mr. Lampi reviewed the following 2019/20 proposed Water/Wastewater budget items with Council:



Water Department:

- Income, Operation, and Capital Expenditure Statements;
- Disinfection byproducts system and waste program;
- Testing fire hydrants and fire hydrants appearance;
- Discussed new water meters;
- Lab Certification (Every 3 years);
- Increase in Professional Services;
- Supplies discussion;
- Proposed projects and capital purchases and proposed budget increase;
- Plant Improvement projects.
- Water plant floor and entry way. Needs updated;
- Discussed driveway update
- Truck or trailer mounter exerciser discussion;
- Main replacement discussion;
- Fix ladder on water tower so it safer to climb;
- Purchase a radio reader for the service trucks;
- Minimalized engineering support;
- Increase in cross connection efforts;
- Increase in lavatory costs;
- Damage private property discussion;
- Discussed insurance and liability;
- Have to address the galvanized before it fails discussion
- Proposed rate increase discussion;
- Suggestion of 3 more employees.

WasteWater Department:

- Proposed projects, capital purchases and proposed budget increase;
- Engineering Costs for Plant Improvements;
- Part-time to full-time secretary;
- Request for increase in Professional Services;
- Discussed motor vehicle fund;
- Discussed percentage increases and revenue;
- Dock leveler replacement;
- New truck purchases discussion;
- Replacement of a section of sewer on the Southside;
- CIPP carryover;
- Plant chemical increases.

The time being 2:15 p.m., the Council recessed.

The Council came back into regular session at 2:20 p.m. and reviewed the following budgets.

**Community Preservation, Blaine DeGrave – 2:20 p.m.**

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

- More training for the Planning Commission;
- Software purchase discussion;
- Increases in printing and publishing costs;
- Applying for grants;
- Discussion on inspections and fees.

Council discussed the 3.2% department head proposed increases.

Council continued to review the following General Fund Budget requests:

- City Manager Request;
- City Controller;
- Request for Auditors;
- City Assessor;
- 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;
- 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

Hearing no further public comment and the time being 3:00 p.m., the Council recessed until 9:00 a.m., Tuesday, April 9, 2019.

Respectfully submitted,

Phil DeMay  
City Clerk

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