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City Manager



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

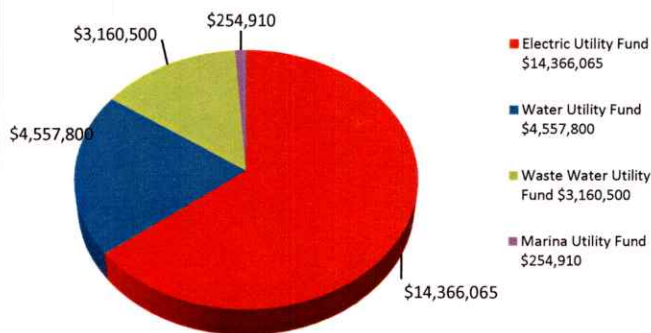
March 18, 2021

CITY MANAGER'S FINAL BUDGET OVERVIEW – FY 2021-22

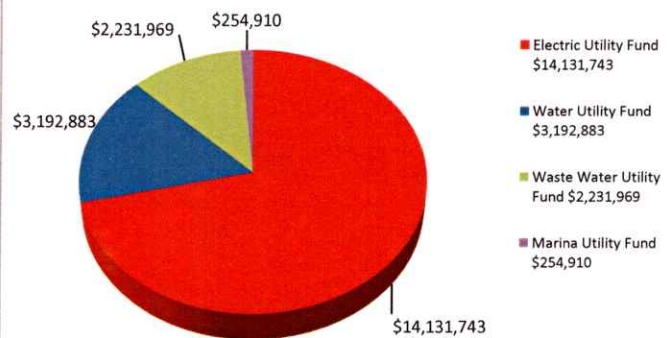
Pursuant to the Escanaba City Charter and relevant state laws, I hereby submit for City Council and community review the final FY 2021-22 Budget. A copy of this document has been placed on file with the City Clerk and at the Escanaba Public Library, where the public may review it during normal hours of operation. An electronic version is also available on the City's website, www.escanaba.org, 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 \$33 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.

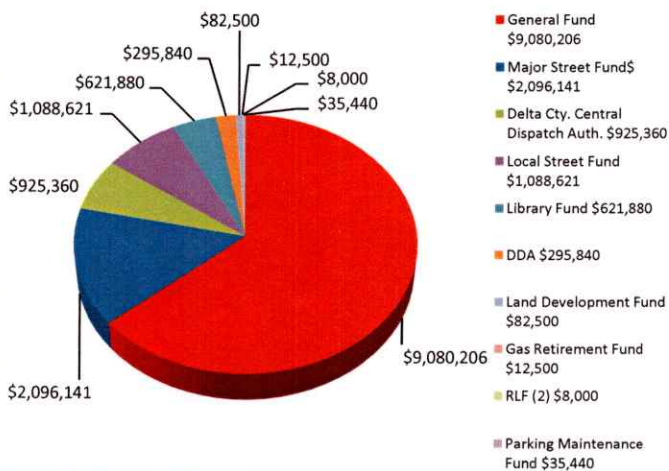
Utility Operation Revenues



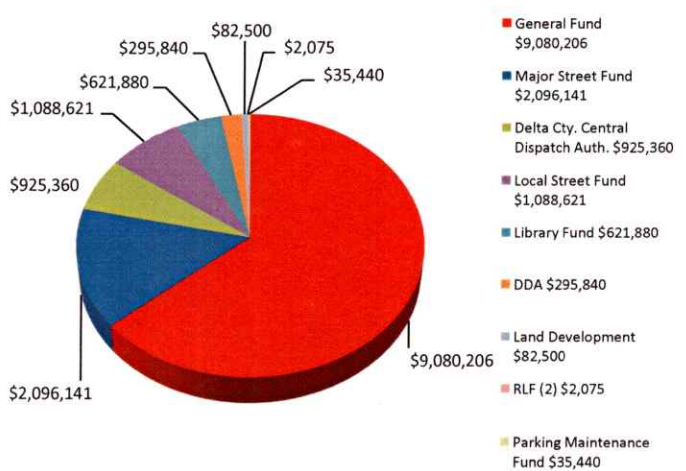
Utility Operation Expenditures



City Operation Revenues



City Operation Expenditures



Mission Statement:

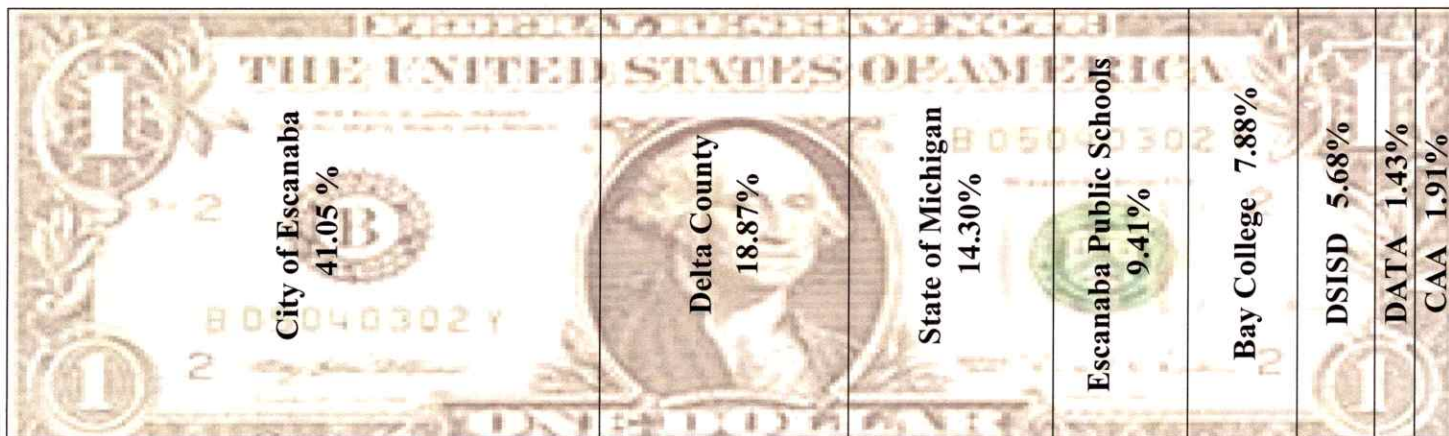
Enhancing the enjoyment and livability of our community by providing quality municipal services to our citizens.

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, 41.05% of the total property tax bill is kept by the City of Escanaba to pay for all General Fund services provided. The remaining 58.95% 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...

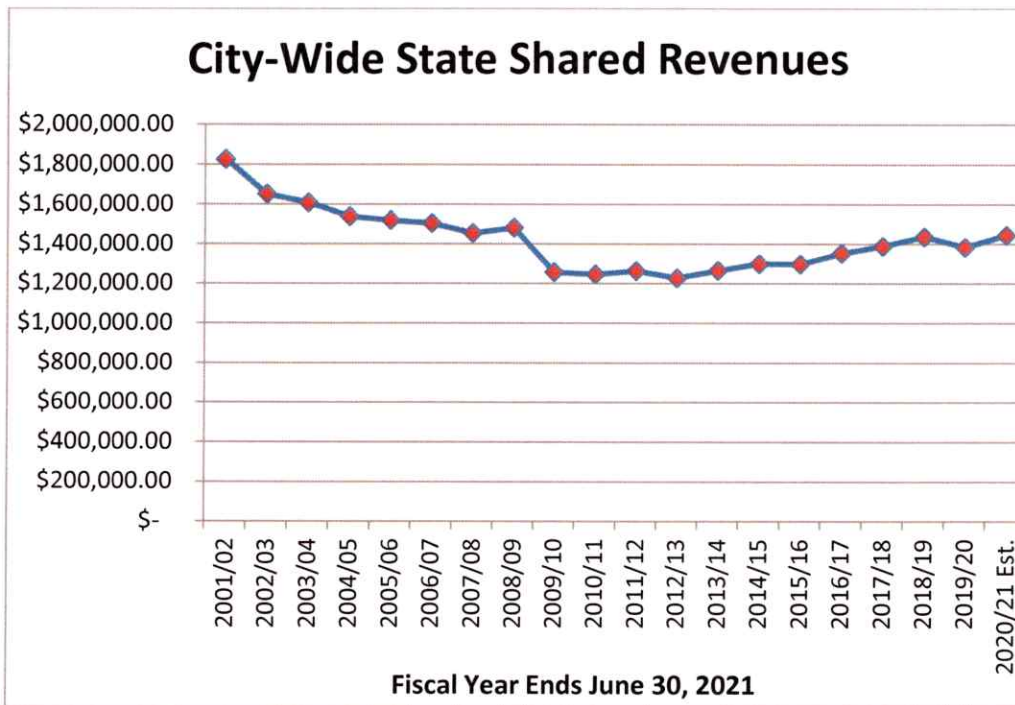
HOMEOWNER WITH HOMESTEAD EXEMPTION



NON-HOMESTEADED PROPERTY



General Fund. The General Fund budget, which supports many of the day-to-day activities of the City, is \$9,080,206 (including transfers in from other funds), representing an increase of 4.3% from the previous year's budget. At the end of FY 2019-20, the General Fund balance was \$5,328,587, with a long-term debt obligation of \$500,000. At the end of FY 2020-21, projections show an estimated fund balance of \$5,916,723, with a long-term debt obligation of \$375,000. In the FY 2021-22 Budget, a projected fund balance of \$5,366,082, with a long-term debt obligation of \$250,000, 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.

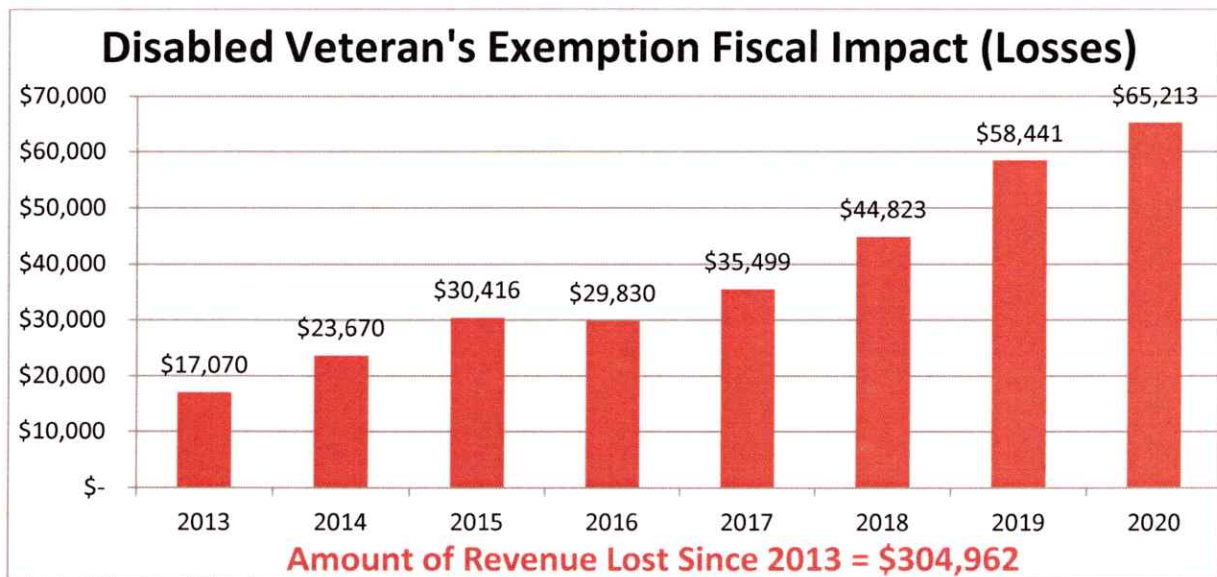


As discussed with the City Council over the last several years, I believe that local units of government are struggling because the State’s system for funding municipalities is broken and does not track with the economy. In Michigan, cities have very few sources of revenue—and those sources are shrinking. 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, Headlee and Proposal A, that limit cities’ ability to collect taxes on existing properties. This year, we are bracing ourselves for the impact of the shuttering of the economy due to the COVID-19 pandemic. Congress, however, did just approve a \$1.9 trillion COVID relief bill that includes direct payments to local governments.

In addition to the losses incurred due to the broken revenue sharing system, the City continues to incur expenses related to Tax Tribunal cases for such things as attorney and appraisal fees (over \$1,000,000 to date) and refunds to property owners.

There is currently 1 commercial case pending before the tax tribunal with an aggregate contested taxable value of \$13,677,939, which equates to \$232,525 of 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 \$58,000+ 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, 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 \$2,096,141. At the end of FY 2020-21, projections show an estimated fund balance of \$1,934,034.

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 \$988,621. At the end of FY 2020-21, projections show an estimated fund balance of \$263,316.

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 49% of our street surfaces are considered to be substandard and in need of repair and upgrade, even after the resurfacing of 3rd Avenue North from Stephenson to Lincoln Rd. and Danforth Rd. The winter of 2020-21 was mild comparatively. The high lake levels are decreasing, which means the groundwater is subsiding as well. This should be easier on our roads.

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 monies generated by gas and weight taxes and registration fees. However, there is an increasing push downstate to reformulate the Act 51 distribution formula, possibly even a statewide ballot initiative, which would greatly disadvantage the Upper Peninsula.

Major and Local Street Projects in the budget include:

Planned Activity	Amount
Resurfacing and Curb Repair City Wide - TBD	\$ 1,700,000
Stephenson Ave. from 9 th Ave. N to 17 th Ave. N/ S. 10 th St from 4 th Ave. S to 9 th Ave. S (funded by Small Urban Grant)	\$ 550,000

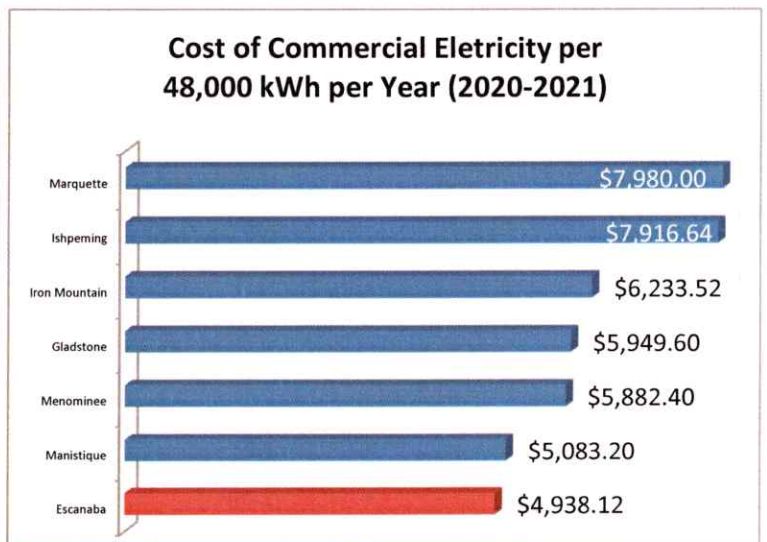
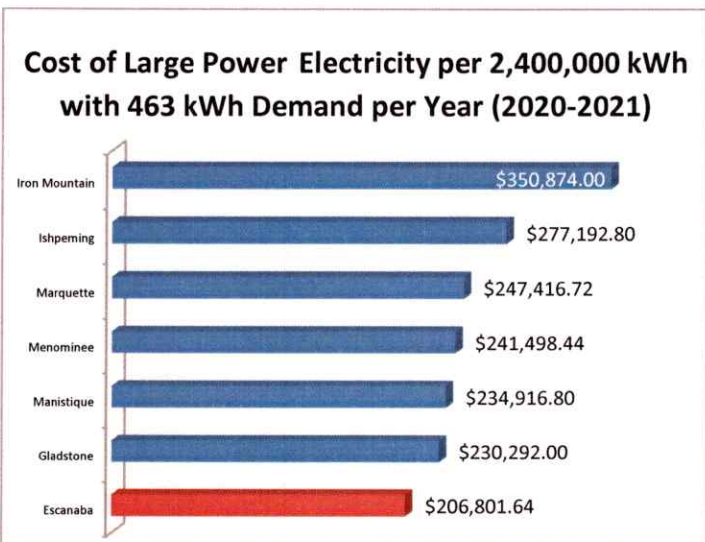
Electric Fund. The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$13,371,436 representing a decrease of 4.71% from the previous year's budget. As of June 30, 2020, the overall City Electric Fund net assets exceed \$18.3 million. The current cash balance is approximately \$9.4 million.

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

Planned Activity	Amount
Advanced Metering Infrastructure (AMI-Remote Read and SCADA equipment)	\$ 1,300,000
Bucket Truck Replacement	\$ 300,000
Power Pole Replacement	\$ 200,000
URD Replacement (Underground Primary Cables)	\$ 200,000
West Side Substation Improvements	\$ 900,000
Solar Generation-Phase 2	\$ 200,000
Power Pole Replacement – Ludington Street	\$ 180,000
Street Light Replacement – City Wide	\$ 100,000

A 1.75% electrical rate increase is included in the upcoming FY 2021-22 Budget.

Projected Example of Customer Classification and Usage - Effective July 2020			
City (Utility)	Residential 500 kWh/yr	Commercial 4,000 kWh/yr	Large Power 200,000 kWh & 463 kW
Escanaba		\$ 4,671.00	
City of Escanaba	\$ 784.56	\$ 4,938.12	\$ 206,801.64
Menominee			
WPS	\$ 820.68	\$ 5,882.40	\$ 241,498.44
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		\$ 6,061.80	
WE Energies	\$ 941.52	\$ 6,233.52	\$ 277,192.80
Marquette			
Marquette BLP	\$ 1,008.00	\$ 7,980.00	\$ 350,874.00
Ishpeming			
UPPCO	\$ 1,308.24	\$ 7,916.64	\$ 247,416.72

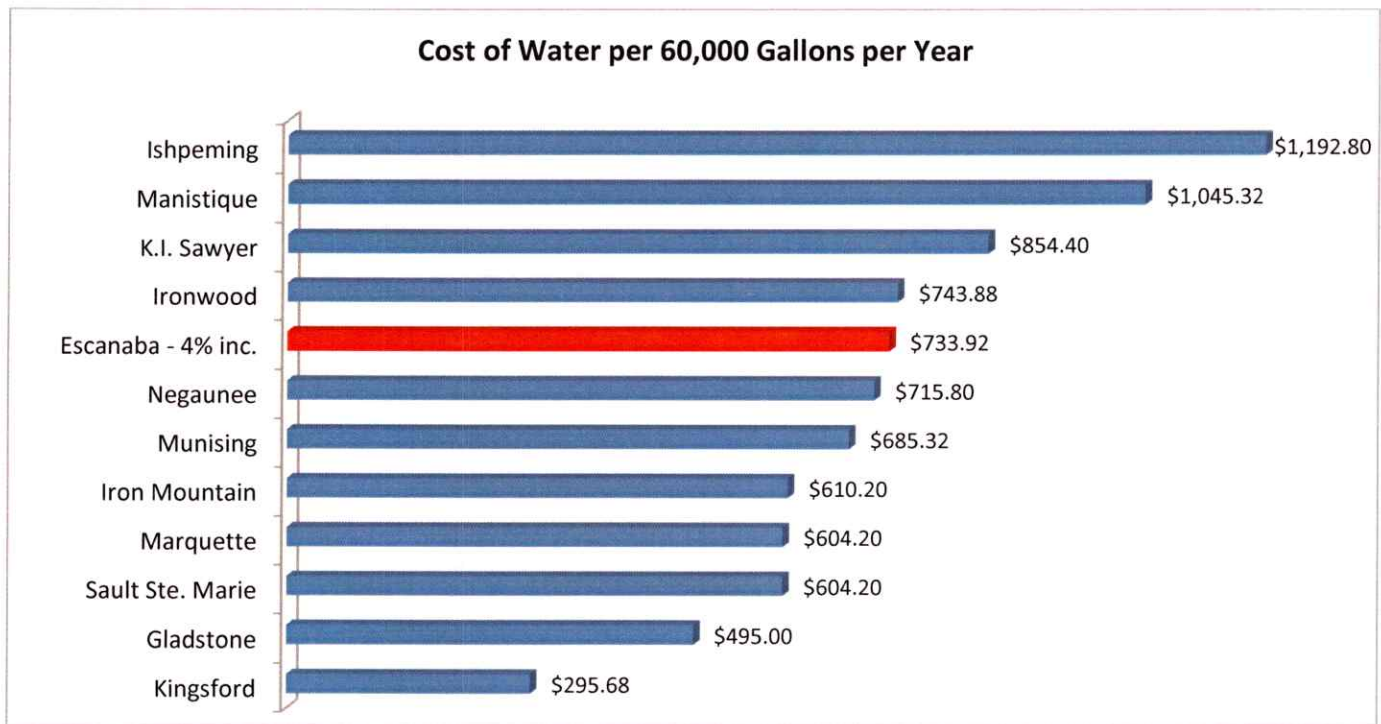


Water Fund. The Water Fund budget, which supports the day-to-day activities of the Water Treatment Plant, is \$3,192,883, representing an increase of 4.22% from the previous year’s budget. This is due to as-yet unknown demands from the State of Michigan. As of June 30, 2020, the overall City Water Fund net assets exceed \$9.4 million. The current cash balance is approximately \$2,010,000.

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

Planned Activity	Amount
Water Main Replacement – TBD	\$ 1,020,000
Distribution System – Replace Water Meters	\$ 220,000
3 Automatic Flushing Stations (dead ends)	\$ 80,000
Bobcat Replacement	\$ 85,000
Fire Hydrant Painting	\$ 80,000

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. Lead service line replacement continues to cause some ambiguity. We need to develop a clear, fair policy on line replacement.



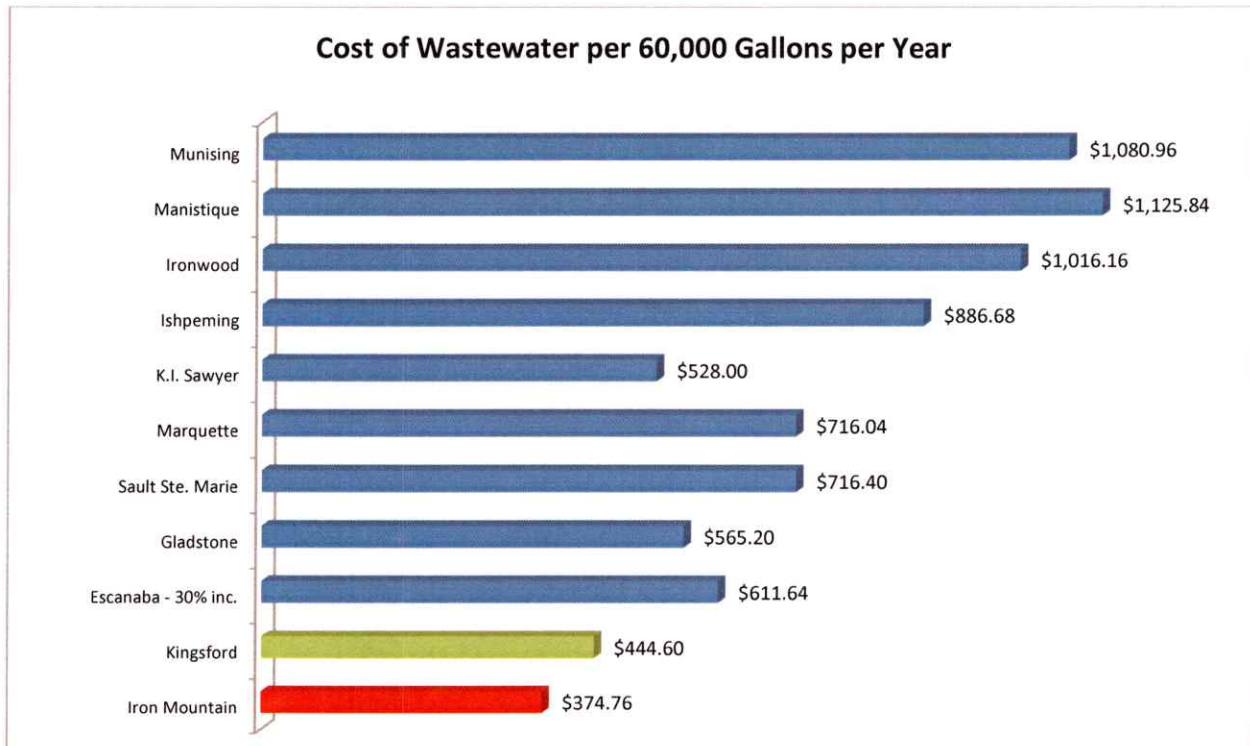
In the proposed FY 2021-22 budget, a water rate increase of 4% is being proposed to meet departmental obligations and needs. With this increase, a typical residential customer using 60,000 gallons of water annually would experience a \$28.20 annual increase beginning July 1, 2021.

Wastewater Fund. The Wastewater Fund budget, which supports the day-to-day activities of the Wastewater Treatment Plant, is \$2,231,969, representing a decrease of 0.4% from the previous year’s budget. As of June 30, 2020, the overall City Wastewater Fund net assets exceed \$7.1 million. The current cash balance is approximately \$1,043,000.

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

Planned Activity	Amount
Replacement of Ludington St. Lift Station Generator	\$ 65,000
New 23 rd Ave. Lift Station Generator	\$ 65,000
Lake Shore Drive Lift Station Improvements	\$ 50,000
CIPP (Cured In-Place) and Manhole Restoration, Sites TBD	\$ 980,000
Plant Operation Improvements	\$ 80,000
Effluent/By-Pass/Dewatering Pump	\$ 90,000

Due to increases in operating costs, a wastewater rate increase of 30% 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 \$141.24 annual increase beginning July 1, 2021.



Solid Waste Collection. A \$0.50 garbage/recycling collection rate increases are proposed in the upcoming FY 2021-22 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 \$1,066,400 representing a decrease of .47% over the current fiscal year. At the end of FY 2019-20, the Motor Vehicle/ Motorized Equipment net asset balance was \$1,146,937. At the end of FY 2020-21, projections show an estimated cash balance of \$373,821. In the FY 2021-22 budget, we are projecting a cash balance of \$541,414. There have been some structural adjustments made to this fund in order to provide the revenue required to support the demands placed on the fund. There may be more adjustments made in the future if it is determined they are needed.

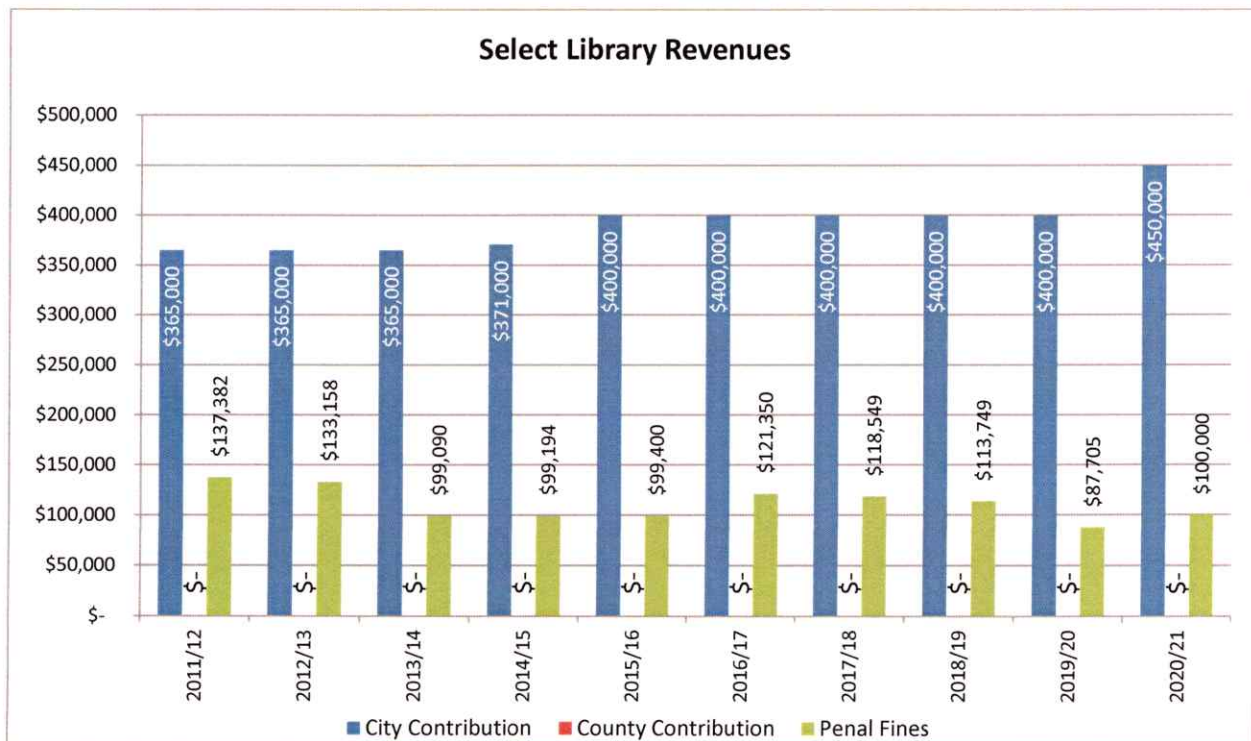
The budget includes the purchase or upgrade of the following piece of equipment:

Planned Activity	Amount
Police Patrol Vehicle-SUV	\$ 45,000
4WD Pickup Truck –Electric Dept	\$ 35,000

Library Fund. The Library Fund budget, which supports the day-to-day activities of the Library, is \$610,880. As of June 30, 2021, the Library Fund balance is projected to equal \$58,170. At the end of next fiscal year, June 30, 2022, the Library Fund Balance is projected to be \$20,253. Finishing in the black is contingent upon on a larger appropriation from the City’s General Fund, and significant cuts in supplies and services. 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 2021-22, 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. Outside Wi-Fi was made available for public use this year and it has been well-utilized.

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.

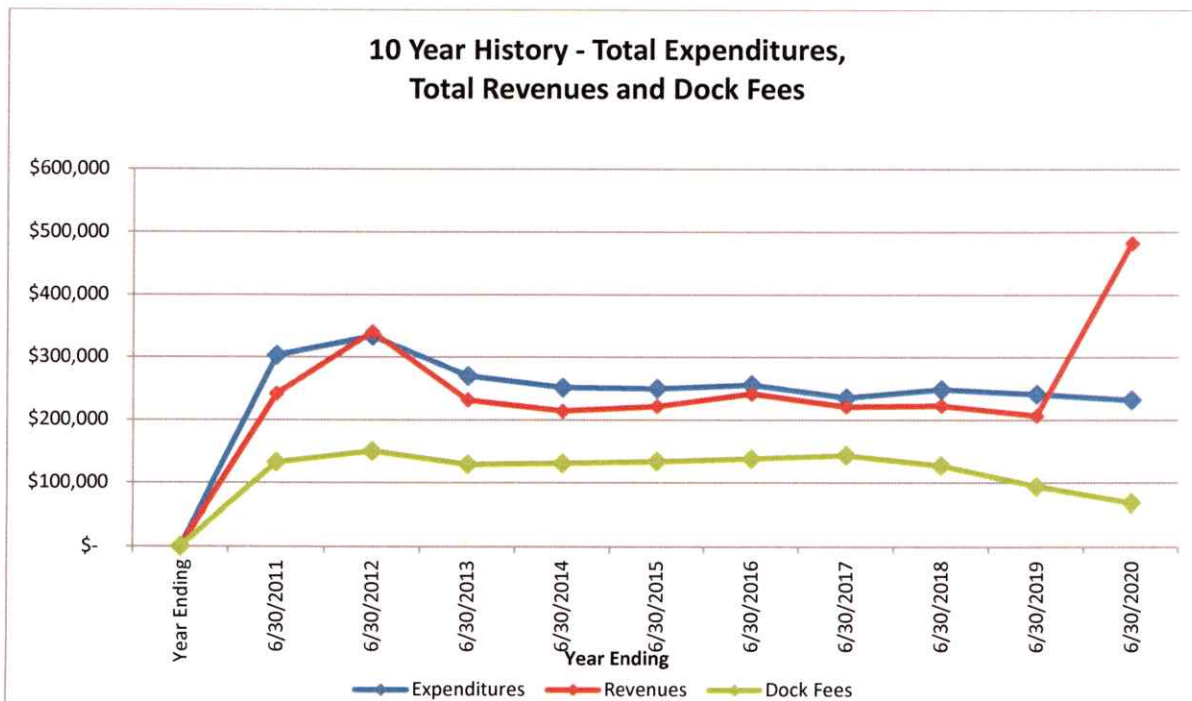


Department of Public Safety. The Escanaba Department of Public Safety was created in the mid-1970's, at which time the police and fire departments were merged. In the budget, the Department of Public Safety represents 49.9% of the City's General Fund appropriation. In dollars, this translates to \$4,471,280 in the upcoming fiscal year. This figure does not include the costs associated with Dispatching Operations. In the 2020-21 fiscal year budget, the department had 32 sworn officers including Officers, Command Staff, Detectives, two Captains and the Director. In addition, a Community Preservation Officer was added to the Department, along with Crossing Guard duties. Our sworn officer (all ranks) to citizen ratio will be approximately 1 to 385.

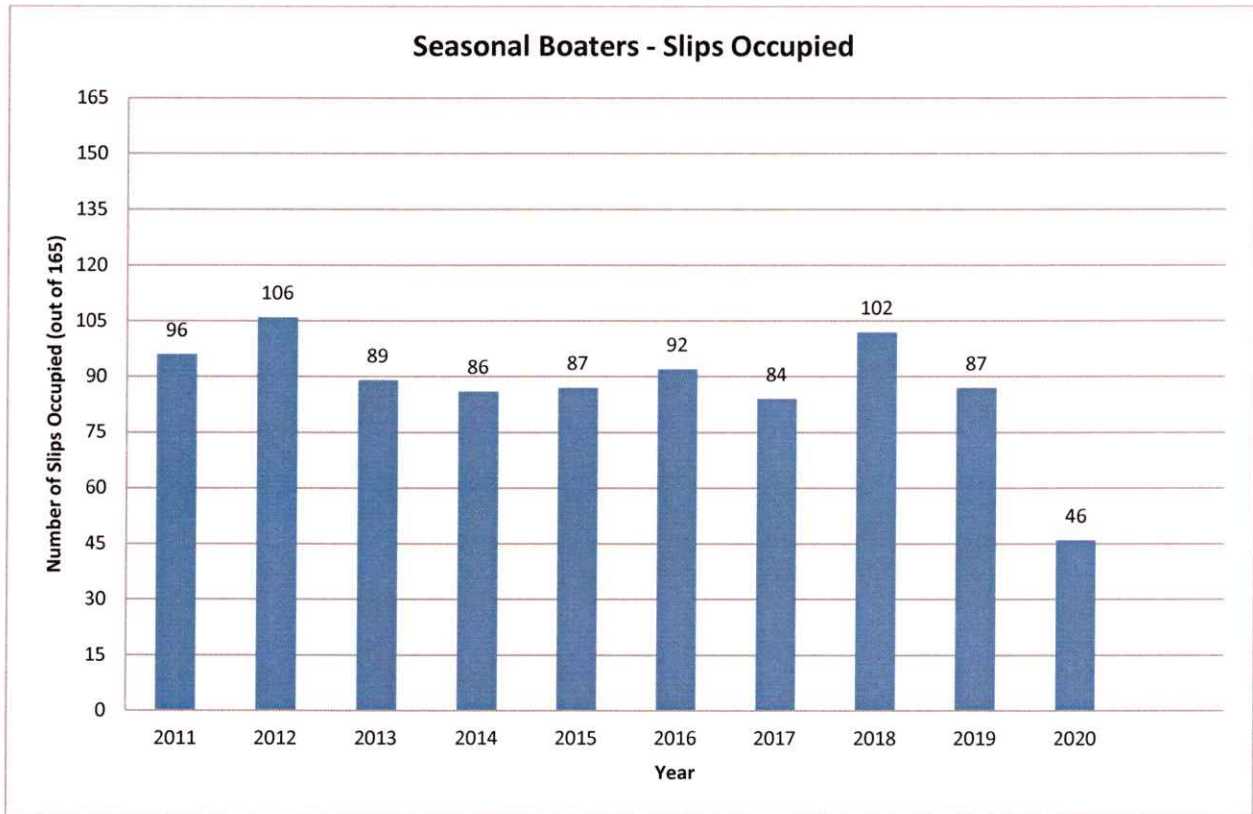
PERFORMANCE MATTERS						
PUBLIC SAFETY – CRIME, TRAFFIC, AND FIRE						
	2014	2015	2016	2017	2018	2019
Violent Crimes Per 1,000	2.90	2.02	3.15	2.7	3.39	4.76
Property Crimes Per 1,000	41.7	52.4	57.2	37.0	23.28	15.35
Traffic Injuries / Fatalities	73	51	46	75	33	12
Traffic Tickets - City Infraction	773	705	654	863	1,226	1,052
Traffic Tickets - Misdemeanor	185	145	128	191	170	173
Call Volume - Incident	7,512	8,212	8,408	8,281	7,847	8,070
Call Volume - Quick Call	14,557	14,811	14,835	15,155	16,181	16,452
Fire Calls	99	140	138	184	114	95
Escanaba Public Safety Case Clearance Rate	52%	56%	52%	49%	50%	46%
Statewide Case Clearance Rate (Averages)	36%	37%	36%	37%	35%	37%

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. With the retirement of Larry Gravatt in July 2020, the City hired Shayne Sanville, who served as Asst. Marina Manager last year, to be the new Marina Manager.

The Marina Fund budget is \$254,910. At the end of FY 2019-20, the Marina Fund cash balance was \$129,810, with a long-term debt obligation of \$201,759. At the end of FY 2020-21, projections show an estimated cash balance of \$114,500, with a long-term debt obligation of \$186,006. In the FY 2021-22 budget, a projected cash balance of \$76,240, with a long term debt obligation of \$169,781 is being proposed.



The Michigan Waterways Commission recommends rates for Harbors. In 2019-20, the Commission was recommending an increase to Rate 8 in the DNR Waterways fee schedule. Harbormaster Gravatt preferred to go halfway with the increase, or to implement it over 2 years. In the 2020-21 fee schedule the increase is completed. Rates will be frozen this year at their current levels, tied to the DNR Waterways Rate 8 schedule. Some of 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. The Plan has been completed and accepted by the City Council, and will likely result in the necessity to increase future rates. The Pier 2 Dock Replacement project was completed in Summer 2019 for a total cost of \$389,000, which required a 50% match from the City and the remaining 50% funded by a Waterways grant. High water levels have resulted in ongoing access and usability issues with the new dock. Remedies were implemented in Summer 2020, but success varied. In 2021, water levels on the Great Lakes are showing early signs of going down.



Downtown Development Authority Fund. The Downtown Development Authority Fund budget, which supports the day-to-day activities of the Downtown Development Authority, is \$295,840, representing a decrease of 5.36% from the previous year's budget. At the end of the 2019/20 fiscal year, the fund balance was \$88,713. With the retirement of Ed LaGeault, the DDA Board hired Scott Czasak.

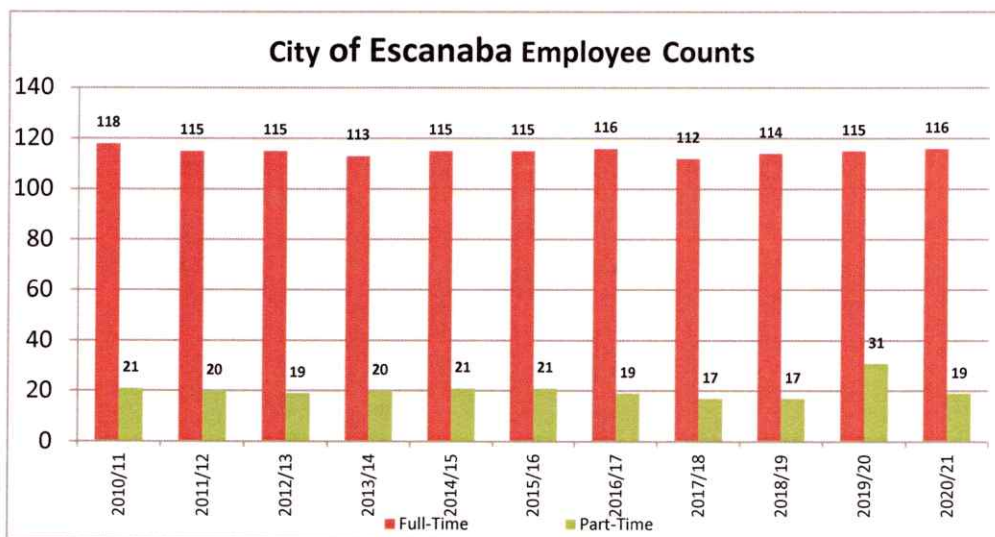
Of notable interest, the Downtown Development Authority budget includes funding for:

<u>Planned Activity</u>	<u>Amount</u>
DDA District Sidewalk and Curb Repair	\$ 7,500
Funding for Police Patrols in DDA area	\$ 10,000
Contribution to the Major Street Fund to do district street/curb work	\$ 25,000

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 \$378,680, representing an increase from the previous year's budget. The 2021-2022 projected cash balance is approximately \$24,793. A boiler replacement is needed this year, approximately \$24,000.

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 31 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 former Planning/Zoning/Code Enforcement position’s duties were divided. Code Enforcement is now housed in Public Safety and is effective. The Planning and Zoning Director was promoted from the Confidential Secretary position. The Confidential Secretary position was filled, but the Manager’s Executive Assistant position has been left vacant.



Health Insurance. The budget takes into account a health premium increase of 3.1% as compared to less than 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, 2019, the City's plan is 62% funded, down from the 64% 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, 2020, the plan is 91.0% funded, up from the 88.9% 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:

CITY OF ESCANABA 2021-22 Budget Calendar

- ~~**December 28th (Mon)** — Budget papers to department heads; operating budgets due 1/25/21.~~
- ~~**January 4th (Mon)** — Publish notice of first Public Hearing for the 2021-22 City budgets at the 1/21/21 regular Council meeting.~~
- ~~**January 7th (Thur)** — City Council Budget Work Session 10:00 a.m.~~
- ~~**January 21st (Thur)** — (Regular Council Meeting) First Public Hearing for citizen input into the 2021-22 City budgets.~~
- ~~**January 25nd (Mon)** — Departmental operating budgets and CIP due.~~
- ~~**February 5th (Fri)** — Publish notice of second Public Hearing for the 2021-22 City budgets at the 2/18/21 regular Council meeting.~~
- ~~**February 8th (Mon)** — First draft of budget requests to City Manager.~~
- ~~**February 18th (Thur)** — (Regular Council Meeting) Second Public Hearing for citizen input into the 2021-22 City budgets.~~
- ~~**March 5th (Fri)** — Publish notice of third Public Hearing for the 2021-22 City budgets at the 3/18/21 regular Council meeting.~~
- ~~**March 18th (Thur)** — (Regular Council Meeting) Third Public Hearing for citizen input into the 2021-22 City budgets.~~
- ~~**March 19th (Fri)** — Council receives tentative copy of the City budgets.~~
- ~~**April 5th (Mon)** — Budget work session open to the public.~~
- ~~**April 6th (Tues)** — Budget work session open to the public.~~
- ~~**April 7th (Wed)** — Budget work session, if required, open to the public.~~
- ~~**April 22nd (Thur)** — (Regular Council Meeting) Council passes resolution to set May 6th as the fourth Public Hearing on the 2021-22 City budgets.~~
- ~~**April 23rd (Fri)** — Budgets are revised, based on the work sessions, and are made available to the public.~~
- ~~**April 23rd (Fri)** — Publish notice of Public Hearings on budgets.~~
- ~~**May 6th (Thur)** — (Regular Council Meeting) Public Hearing on 2021-22 City budgets.~~

May 10th (Mon)-

Publish notice of final hearing and adoption of 2021-22 City budgets. This notice must be at least 10 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 20th (Thur)-

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 27th special meeting. First reading of Utility Ordinances, with second reading and adoption set for the Monday, June 7th special meeting.

May 27th (Thur)-

(Special Council Meeting) Second reading and adoption of the Tax Levy Ordinance and the Appropriations Ordinance.

June 7th (Mon)-

(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 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.

Respectfully Submitted,



Patrick S. Jordan
City Manager