

May 9, 2018 update

Budget:

Set to be approved for the 2018 -2019 Fiscal year. Didn't get all that I wanted, but made some progress in key areas - it takes a majority of council to make changes and I'm only one vote of seven. A lot of compromise is required. We reviewed the budget in greater detail than ever. The format is ever evolving (this year the columns for change and percent were missing from the department budgets) and it is a very time consuming process to review and reference to past documents.

Streets:

Got \$200,000 of additional Oil & Gas funds to add to the reconstruction funds for Local Streets for 2018 - 2019. The 2017 -2018 Budget was amended, and \$172,000 of additional funds for Local Street projects was added to the existing contract. This funding came through the sale of surplus City Property, and Council consensus was to dedicate all City Surplus Property sales (Mayor Pro Tem Zielinski motion) in the future (over \$1 million listed) to Local Street rehabilitation projects. As debt service from the Oil & Gas Fund is retired (2027) 80% of the annual 4% spending rule was recommend by the Street Ad Hoc Committee for Local Street funding in the future. I'll keep a focus on that recommendation. The Public Act 51 funding for Local and Major Streets is mostly consumed for "maintenance" activities; street sweeping, snow plowing, crack sealing, and so on, leaving little for actual rehabilitation. The City has dramatically increased the "charge for service" for Department of Public Works labor expended in street-maintenance activities in the past three years as they can no longer afford these "subsidies."

Appropriations:

Only \$172,000 of a \$6.2 million budget, but a lot of emotions over them. Initially got a cut of Ramsdell funding to \$45,000, cut of Manistee Recreation Authority (MRA) to \$22,000, and Manistee Saints to \$1,500. After a week to think it over and heavily weighted council comments and emails (mostly from non-residents) Council members restored the funding to the Ramsdell at \$55,000, the MRA at \$27,000, and added \$500 to the Manistee Saints, adding the \$1,000 taken for the Manistee Saints to the Historic Museum. Made a point of stating the Paine Pool appropriation of \$40,000 "last" payment was coming in 2019 – this 10-year obligation made by past City Council is not likely to be renewed. Years ago, the "Friends of Paine Pool" endowment began, and soon lost traction with the 10-year obligation in hand. Nearly everyone has "favorite projects" that are funded through appropriations and the need to continue funding them as a "public purpose" is challenged yearly. While accounting for less than 3% of the General Fund, every dollar adds up.

Other:

A request to fund new pistols for the Police Department from the Capital Improvement Fund was moved into the Police Budget, as the intent of the Capital Improvement fund is Capital Assets, not a catch all for miscellaneous purchases. The offset is likely to increase the "charge for service" to the Local or Major Street funds or Refuse fund.

The Motor Pool funding and use is being addressed. Departments do not contribute sufficient funds to provide for purchase and maintenance of their vehicles (some less than half of the costs). The fund is highly leveraged (used to make installment payments on past purchases) and needs to be restored to a

level that allows cash purchases to save those interest charges. I remarked to a Department Manager in the past that we were rapidly approaching the point of “toys or people” in the future. We can’t afford to equip our First Responders with the necessary equipment to do their job, we’ll have to look at alternatives.

It is a balanced Budget but does not indicate cuts that will be needed in the future due to lack of revenue growth. I’ve specifically ask for that information. It continues the trend of stating “personnel cuts cannot be discounted in the future.” While it states that, it gives no hint of where. I’m told staff will need to study that and come up with a recommendation, if that’s what Council wants. Mayor Pro Tem Zielinski has continually ask the same question.

The Budget proposed a 2.4 Headlee Millage Override to be placed on the ballot (did not get traction) for Local Streets, estimated to raise \$465,000 a year. My concern is it would be considered the entire funding and efforts to allocate funding from the General Fund would cease. Property tax revenue makes up 54% of revenue brought in for the General Fund. Using that percentage, the City would still need to dedicate about \$396,111 from the General Fund to match the millage. While \$600,000 is needed each year just to maintain the condition of Local Streets, a combined \$850,000 plus each year would start making some street condition improvements. It could be a ballot issue in the future, but I’d want a guarantee of matching General Fund dollars if it ever sees the light of day.

Using the 54% measure, the Police Depart is 3.738 mills, the Fire/EMS 3.331 mills, which account for 7.069 mills of the overall 17.7612 mills levied on taxpaying residents. That’s probably a bit understated as the last available .46 mills was used to fund an additional Police Officer in 2014 (about \$85,000 at that time). The Police Department has no revenue to speak of with Fines and Forfeitures down sharply over the past several years. There are no “charges for service” from other revenue sources in the General Fund and I’ve been pushing for reimbursement for event services that often result in overtime. The lack of part-time officers is also an issue.

Transport charges from our Fire/EMS were a hot topic. Council consensus was to charge City resident insurance only – no more “soft billing” where if not paid in two billing cycles, it would be written off. I don’t think most residents know they are not responsible for charges other than those paid by their insurance for EMS services and have probably paid them in the past. When residents are paying \$1 million plus in taxes for a service, why bill on top of that? This is a duplication of service offered and available from Munson, and was always about revenue, rather than need.

When you subtract the millage paid for the only 24/7 local Police and Fire/EMS in the County, you find the City millage rate is generally lower than those in surrounding communities. These services are highly desired by residents but do come with a cost.

The 183 acres of parks and beaches is a labor-intensive task for the Department of Public Works and Parks Department. They are well maintained and available to the public at no charge.

A Council member proposed increasing the Millage for Refuse collection as opposed to the 70-cent increase for minimum service (\$1.40 for Basic, and \$2.10 for Tote) which was generally rejected by Council. The concept of charging for refuse based on home value rather than use level did not appeal to me or Roger Zielinski. I’d still like to see changes in recycling in the future and we are increasingly experiencing neighboring community use at resident expense, with no practical way to monitor. I’ve

witnesses people dumping refuse in front of residences and filling resident's totes and those abuses need to be reported - it cost the taxpayer money. Non-residents dumping their trash at City taxpayer expense should be prosecuted.

There is not a lot of "discretionary" money in the budget, without changes in the level of services. There is debt service that was obligated in the past for the Ramsdell, knowing it would never pay its own way operationally or be able to provide service for the debt. My spouse and I attended the Gala fund-raising event at the Ramsdell and participated in the silent auction to support the event. No other Council members or City Staff were present.

The Marina would be making money if not for the building costs overruns and resulting debt service. Take away the debt service and the arbitrary "administrative" fees that are charged and it is profitable. It is interesting that the budget reflects we "subsidize" the Marina, yet "support" the Ramsdell. The debt service runs through 2027. Damage from the high-water surge is covered by insurance and we have "loss of revenue" coverage which will mostly cover the repairs and loss of business revenue.

DDA: The Downton Development Authority Tax Increment Finance agreement will be up for renewal soon. This is an often-misunderstood function.

When the DDA was created, taxes in the district were "frozen" (about \$6.8 million taxable value) and those taxes on that value retained by the City, County, West Shore Community College, and various County Millage requests (about 38% of the current tax value). The value has increased over time to slightly over \$15 million, and the taxes on the increased value (above the frozen value) is retained by the DDA (about 62% of the taxable value). The DDA also captures the County, WSCC, and various County Millage taxes (about \$100,000) that would be lost to the City without the DDA.

The DDA only captures a portion of property taxes, the City still captures all the Public Act 51 Major and Local Street revenue, Liquor License revenue, and all other revenue streams. The purpose of the DDA is to increase the value of DDA district property and promote the downtown district businesses. The DDA suffered the same property value drop due to the 2008 recession as was experienced in the residential market and has the same limitations in gaining back the values as the City (Headlee restrictions on increasing values), it takes years to regain what was lost.

The DDA captures about \$160,000 in district taxes for operation and the above referenced \$100,000 in taxes that would go to the County if not for the DDA. Most are aware of the City claim for increased payments from the DDA for "over and above" costs associated with the DDA district. The DDA currently pays the City \$18,000 for landscaping and \$22,000 for other services, in addition to the Streetscape Bond payment (\$138,000 through 2020). Simple math is the \$40,000 in landscaping and services plus the bond debt exceeds the DDA City district tax revenue by \$18,000. I have been a driving force behind the issue of the DDA paying the "over and above" charges associated with events, mostly impacting Public Works and Public Safety. Other agencies and events need to also pay those costs. It was just discussed that the Chamber of Commerce costs the City more than \$15,000 for Forest Festival services that are not reimbursed, and the Chamber is not a part of local City government. There is no charge to the Carnival or other functions that profit during the events held on public property.

There is discussion about the DDA Director who applied for the County Administrator position. Chairman Jeff Dontz ask Tyler to apply for the position. I personally recommended his application and

endorsed him to the County Commission for the position. To go from a position that pays a base salary with no benefits (no Health, no Retirement) to one with a full compensation package is an opportunity few of us would not pursue. Tyler is not seeking “greener pastures” in his short tenure as DDA and Economic Development Director, he owns a home and lives in Manistee.

Counting Manistee Beverage (which just opened) there are 4 new businesses opening this spring and summer. The developments for the Iron Works and Industrial Park are on track and engineering, architectural detail, special use requests and other processes take time. Despite what is accomplished, there is always more to be done.

The Chamber of Commerce continues to offer a proposal for Economic Development services to the City of Manistee and has had extensive interaction with the City Manager. Since the County Commission renewed the agreement with AES and we are part of the County, we should still be getting services from AES. I'd like to see some goals and specific objectives that can be readily measured. The idea of offering a three-year contract so the Chamber can hire staff without knowing what businesses are going to be recruited, what the targets are for employment (and what salary ranges), and how we are going to measure the results does not appeal to me. We have some significant development proposed (property purchased) that will potentially add jobs and tax revenue. None of these developments involve tax abatement, Payment in lieu of Taxes, Brownfield, or other incentives that would take away from General Fund revenue.

I respond to nearly every email and telephone call I get also. I come to City Council meetings prepared and well researched on the issues. It is often difficult to get some Council members engaged in issue discussion or to express an opinion during meetings. If you wish to provide input on an issue, arrange a personal meeting, call or email. Telephone is 231-690-3948 and email is jsmith@manisteemi.gov.

I appreciate the opportunity to serve on City Council and represent the citizens of Manistee. I have filed to run for a 3rd term of office and look forward to a potential 3rd term. Progress is being made and I will continue to seek increased funding for streets, efficiency in operation of the City, and greater value for tax payer funds. I thank you for your support – Jim.