

May 10th Council Meeting –

The Budget passed (City and DDA) without compromise at the meeting –4 votes in favor and 3 votes against as opposed to the MNA indicated “unanimous” (the DDA vote was 6 in favor and 1 opposed). I voted against each budget.

First the DDA – long stated in annual budgets to receive a “high level of support from the city, but offer little in reimbursement,” and continuing in that trend. The Major, who by statute is a member of the DDA board (and has missed 5 of the last 6 Board meetings), said they “were really trying.” The reimbursement for added Public Safety and Public Works support was reduced from the proposed \$30,000 level to \$10,000 so the DDA could balance their budget without significant restructuring. That leaves the City providing 60% of their financial support and on the hook for the \$20,000 difference. The budget did include over \$80,000 for Director and Support salaries, up about \$20,000 from last year and nearly \$30,000 from two years ago – so now over 32% of the budget is dedicated to overhead (with another \$12,000 for office expenses). Façade grants are down to \$8,000 from a \$30,000+ level in 2015, so we are assisting less. The DDA is set to “sunset” in 4 years and discussion on the objectives and direction need to take place for City Council to renew or extend the Tax Increment Finance continued funding. This needs some real attention –and “really trying” is not going to win my support, I want to see some objective results and value to continue supporting this with over \$270,000 in tax dollars a year. Between the Chamber of Commerce, Alliance of Economic Success (AES), Main Street Downtown Development Authority (MSDDA), and our Planning Department we have a diverse group of agencies interested in our economic development – makes you wonder why we are not bursting at the seams with development in Manistee!

City Budget – where to start? Annual deficits for the Motor Pool where 61% of this years expenses are going toward debt for past purchases that were financed, rather than paid for. The deficit spending is projected to continue into year 2020 and will total over \$170,000 the next 4 years. We simply don't charge users enough “rent” to cover expenses or buy too many vehicles. We could rent more special purpose items when we need them and have the expense of purchase and maintenance. Learning that we have not maintained maintenance records in the past puts a big question mark on leadership and management in my opinion –and the need for a \$5,000 computer program to track maintenance now?

Retirement cost was cited in the 2013-2014 budget as “rising at an alarming rate” – but nothing done to curb it. The 2017 Budget cites the 2008 “market crash” as the reason for unfunded liabilities over \$1,330,000 – but the fund was 100.3% funded as recent as 2012 – 4 years after the market crash. We've put over \$1,400,000 into the fund from 2008 through 2016, have an “unfunded liability” of \$1,330,000, and a projection of putting over \$1,400,000 into the fund in the next 4 years, yet no one seems concerned. We need to have a serious conversation about offering a defined contribution plan (401k and 457) in place of MERS to get off the investment performance ride we are on now. This plan was touted as costing only and average of \$49,000 a year between 2003 – 2005 and saving money – this year it is over \$300,000 and the fastest growing item in the budget.

Public Works said the County Road Commission was experiencing “financial stress” and did not want to continue the street Crack Sealing collaboration with us. I emailed the supervisor and he replied they were in the best financial condition now in recent memory and would continue to support us with the agreed payments for service. Why do we need to by a \$75,000 piece of equipment, sealing materials, and where are we going to get the hours (with over \$100,000 of PW overtime this year) to take this task

on “in house”? By the way, the “need” for a \$13,000 electric gate to secure the garage is a joke. Why the first person to arrive can’t get out and unlock the gate, and the last person leaving lock the gate is beyond me. There is an existing gate.

The City reserve fund is heading the same way (projections) as the Motor Pool fund. The Motor Pool fund will be drawn down to \$360,000 by 2020 (from \$551,000) and the reserve fund down to less than \$500,000 in the same time frame (from \$1,000,000). The majority seems unconcerned. There is a new firetruck (\$800,000+) on the horizon (probably a tax millage), major repairs to the historic Fire Station, and some other big ticket items in the Capital Improvement Plan. The issues were “kicked down the road” as opposed to dealt with.

Thanks for your continued comments and support – Jim.