Budget –

Got a 2017 – 2018 Budget passed before the City Charter required date of May 15. It is balanced (has a $19,000+ surplus right now) and does not take from the Fund Balance.

Some of the significant parts include some big hits to Appropriations to balance a 19% increase in City Employee Health Care costs and a large increase in MERS (Municipal Employees Retirement System). Appropriations cut include PEG (Public Education Government), 2-1-1, and County Youth Baseball funding. Reduced were the Manistee Saints, Historic Society, Ramsdell, and AES (Alliance for Economic Success), and MRA (Manistee Recreation Authority). This is the first time in years that appropriations have been subject to City Staff recommendations for cuts, and the Alternatives for Area Youth recommended cut from $13,000 to $6,500 was rejected by Council (Youth Center at Sands Park). The cut would have likely shut down the center. The $23,259 removed from AES simply provides funds through the end of their December 31, 2017 contract period and is retained as a surplus (after restoring the youth center funds) to negotiate a contract extension with AES in the future.

I continue to be concerned with borrowing to buy replacement equipment from the Motor Pool fund, this year we will purchase (on contracts with interest) more than we pay cash for. The timely maintenance of the vehicle and equipment fleet is important as is the planning of purchases to avoid financing. Same old – same old attitude that will need to change. The Motor Pool Fund does not charge departments enough "rent" to cover the costs of equipment in general – it is thought that doing so would "impact" department budgets and possible services, but also results in not reflecting the real costs of a function. As the Finance officer states, "cuts would have to be made to provide full costs" and simply highlights the issue for me. I'll ask for the true costs to be reflected in the next budget cycle.

The three-year projections are telling – you don't need to be a budget expert to see the increases continuing for MERS and projections for deficit budgets in each of the next three years (drawing from the Fund Balance). The deficits start out small, but grow – mostly due to a lack of revenue growth in relationship to expenses. We just ended a three-year period of deficit budgets and received notice from the State Auditor as a result. There seems to be little enthusiasm for taking corrective action to replace our retirement system for new hires that continues to incur a larger unfunded liability and increase in costs. It is mostly dismissed by pointing out how small our liability is compared to other communities (Traverse City is more than $50 million). It requires as much as 27 cents on each dollar of pay is one department. Reforms have been indicated for years (you can read them over and over in past budgets) with little done to mitigate the issue. This may end up requiring an "independent committee" to get pasts the decision being made by those the program benefits. It was easy to assess savings when we eliminated the Assessor and Building Inspector functions (contracted for Assessor and let the State of Michigan do Inspections) from a real costs analysis – not so easy to do the same when you don't accurately reflect real costs. I don't know if we are exploring all the cost sharing and collaboration we could with the County as far a Payroll and other functions whey we have retirements, but we need to keep looking for cost saving alternates at every turn.

The lack of revenue growth is the real culprit in our City finances, to quote a wiser person than I, "you can't keep cutting expenses" for prosperity. Over the last few years, most easy – and some hard – cuts have been made. I keep repeating the refrain "it will come down to toys (equipment of any form) or people" decisions in the future. The Budget clearly states that "future head-count reductions cannot be dismissed." We're at the maximum millage that can be assessed without a vote of the Public, and I'd be hard pressed to justify it. We can't keep surrendering tax base and expect to maintain services.

PILOT – Payment In Lieu Of Taxes

What an issue that turned out to be. We just ended a PILOT (December 2016) on Cherry Hills Apartments, we have PILOTS on Rietz Park Village and Manistee Place Apartments. We have approved a 10% 35-year PILOT for Third Coast Development, but disapproved their 2% 45-year request. There are currently 500 subsidized apartments for rent in Manistee, with an additional 49 at Horizon Point (just in Filer Township). There is Cherry Hill, Lakeview, Reitz Park, Manistee Place, and the Harbor View and Century Terrace Housing Commission units. (affordablehousingonline.com)

The Third Coast project planned to put 42 units of low-income senior housing on the former Oleson's site adjacent to the relocation of the Council on Aging and a grocery store. Twenty-seven of the units would have been restricted to income below $21,400 a year (60% AMI), 6 units at 40% AMI, and 9 units at 30% AMI (less than $11,880 a year). There was a lot of senior citizen support and a lot of emotional appeal on this project that made it difficult to reject – but fiscal reality prevailed in the end. Tempers flared and accusations flew during the process, and I'm sure resentment will linger. This project would have been built with nearly $8 million of Tax Credits from MSHDA. The requested 2% PILOT with a MSA (Municipal Service Agreement) of $6000 a year would have yielded $9,750 a year in comparison to a contractor estimated $65,000 in taxes (City Assessor estimated $242,000, but the contractor feels the building will only have a $2.2 million market value despite an $8 million cost). I know some people are upset with my vote, but offer to share all my research a discuss the issue with anyone. The community needs to push forward with a new facility for the Council on Aging. Over 75% of our tax revenue is on private residences in the City, and a single $315,00 non-homestead residence would have paid more in property tax than the PILOT and MSA would have provided for 42 residences. There were over $900,000 in Developer Fees and $522,000 in Contractor Profits on the worksheet, plus an estimate of 10% return for investors. I look at the numbers and side step the emotional appeal. No one wants to lose the valuable services we rely upon and it takes revenue to fund them. We already have four apartments that pay PILOTS instead of taxes. We now have 42 Veteran exemptions and a lot of County, City, Religious, and not-for-profit agencies that don't pay taxes. I won't continue here – call, email, or catch me a coffee in the morning (either The Fillmore or House of Flavors) if you want to discuss it further.

Health –

Hesitate to mention this, but I've had a great number of you wish me well and offer prayers for a speedy recovery from my recent eye problem. All is well. I had a post-op at Kellogg Center (U of M Medical in Ann Arbor) that confirmed malignant melanoma in my right eye (which was removed April 10th) and an ahead of schedule healing process. It has been an experience and I am grateful for an opportunity to move forward and get as much as possible back to normal. Thanks to all! Mayor Pro Tem Zielinski, Chuck Francis from the local Elk's Lodge, Dr. Fritz Boehm, Greg (a friend of mine from Surroundings) have helped with some travel and others were ready and willing to fill in if needed. What a wonderful community I live in!

As always, your comments are welcome and I encourage you to come to a Council meeting and meet your representatives. I appreciate your support. Jim