

**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 17, 2021**

CALL TO ORDER: Mayor Colleen Brown called the special meeting to order at 6:03 p.m. The meeting was held **online at meet.google.com/hgg-auqs-bzt and phone at (US) +1 617-675-4444** PIN: 477 377 530 4980#

ROLL CALL: Present Council Members were Mayor Colleen Brown- Montrose, Robert Arnold- Montrose, Mark Richard- Montrose, Tom Bigelow- Montrose (joined at 6:10 p.m.) and Ryan Heslop- Port Huron, Aaron Burch- Montrose, Andrea Martin- Montrose (joined at 6:17 p.m.) Also, present were City Manager Neil Rankin and City Attorney Otis Stout.

PLEDGE OF ALLEGIANCE TO THE FLAG: Mayor Brown led the Pledge of Allegiance.

PUBLIC COMMENT ON AGENDA ITEMS: NONE

BUDGET WORKSHOP SESSION

The 2021/2022 millage rate for the city is **16.7716** generating an estimate of **\$464,537** in property taxes. The operating millage rate has been reduced again this year under the Headlee Amendment. This is a positive sign of improved taxable values in the city. The original charter millage levied in 1968 was 20.0000 mills and had been at 17.1776 for over 13 years with the first millage reduction occurring in 2019 and again in 2020.

In November of 2018 the City passed a five-year 4.0 millage levy for public safety. The estimate revenue this year is **\$108,173** and is also seeing a millage reduction this year to **3.9054**. The difference between what the charter allows and the current rate could be utilized in the future based upon projects and or economic circumstances through a truth in taxation notice. There is also a special residential assessment for Mosquito Control of \$30 per year which will expire in 2021 for each parcel and garbage collection for residential properties for \$190.32 per year. The assessment amount for Mosquito Control will need to be adjusted in 2021 as it is running a deficit. This contract approved by council is set to expire in 2022.

The Downtown Development Authority will have requested again this year for council to approve a 2 mill levy to cover operational costs and to continue to make repayment on the 2006 DDA general obligations bonds and the repayment to the city water and sewer funds.

The City of Montrose General Fund has improved from the last fiscal year as well as the net position with the last OPEB study. Our audit showed an increase of \$53,929 and an end of year balance of FY2021 of \$486,403. The City anticipated a reduction of revenue sharing of 25% for 2020/2021 with the most significant reductions in the first half the City's fiscal year because of COVID-19. However, the impact was significantly less at 8.2%. Overall, the Genesee County Taxable Value Report continues to show an increase in taxable home values for the third year in a row and rising trend in home prices.

Michigan Transportation Funding (Act 51) have been projected to increase over the next 5 years allowing for the city to complete more preventative maintenance of streets and potential grant funding for larger projects. MTF funding was expected to see a small dip in the third

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quarter of 2020 and easing to a 10%-15% reduction in the fourth quarter of 2020 as the economy improves as the COVID-19 pandemic ends. The City estimated revenue is \$202,639 in 2021 and \$208,285 in 2022.

Current water and sewer rates have not increased in six years and a healthy fund has allowed for projects such as these to be completed. Water and Sewer Funds should be stable as rates with the Karegnondi Water Authority will limit rates hikes as communities connect to the system. The City has invested in a wireless electronic metering that has the ability to identify water loss.

The current Public Safety contract is for two more years and will see a 1.75% increase per year or 3.50% over the contract.

The City has two major liabilities the first is Long Term Debt related to improvements issued as either General Obligation (GO) Limited Tax Bonds or Water Revenue Bonds. The other liability is legacy costs/future obligations of current and former employees as unfunded pension. On May 1, 2020 a GO Bond was retired and the city has no current GO Bonds. Water Revenue Bonds are set to retired in 2054 for a total \$743,000. This has resulted in governmental and business activities liabilities being reduced by \$157,739 last fiscal. OPEB related liability at the end of FY2020 was \$731,000 and saw a reduction of \$ 137,000 in the last fiscal year. As the financial picture changes with the retirement of bonds the City should examine one-time payments in order to accelerate fully funding the pension liability. It should be the resolve of council to ensure that this liability is shouldered by current employees in a fair and equitable manner.

The Michigan Employee Retirement Systems in FY2022 will see an increase in the employer contribution. Employees will continue to contribute 8% of gross wages and the employer will be contributing 12.64%. This increase was a result of changes to investment rate of return and level of inflation. The employer contribution is based on the actuarial plan managed by MERS and is based on actuarial facts beyond the city's control.

COMPETING PRIORITIES

The Montrose Planning Board at its November 2020 meeting amended the Capital Improvement Plan which was then subsequently approved by City Council at the December 2020 meeting. Ten of the twenty-two projects in the six-year capital improvement plan are street related projects. These projects will easily exceed \$10 million dollars and the only means to address some of these projects will be grants requiring matching funds, levying of street millage and or bonds. These projects will need to coincide with regular street maintenance and those related costs.

Staff projections anticipate to see an improved General Fund because of the passage of the Public Safety Millage. It is also allowing the city to address projects and make purchases including park improvements, GIS mapping and DPW equipment. Contracted Public Safety costs will be \$384,902 FY 2022 and \$391.637 FY 2023. The impact to the GF is an offset of \$108,173 in FY 2022 and estimated \$108,900 in FY 2023 to the General Fund.

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Regular street maintenance should be a priority as well as identifying future road projects. It would be recommended to incorporate smaller street and water projects when pursuing funding when developing plans to address the larger street projects such as Feher Drive and Hickory Street.

The historic American Rescue Plan Act was signed into law on March 12th, delivering \$65 billion of direct and flexible aid to America's cities, towns and villages. These funds are designated for investment into infrastructure. The current estimate is \$152,945 for the city. The Federal Government will provide these funds through a CDBG type process and details are slowing emerging on the criteria.

DDA/DEPOT

The 2020-21 DDA budget will see a third-year increase on the revenue side as the tax capture will increase an estimated \$650 or over the end of FY2020. The DDA had 1.9804 mill levy last year and it generated \$11,474 and the DDA ends the year with a fund balance of \$76,788. It will generate \$12,120 in FY 2021.

The police millage will generate roughly \$6000 for the DDA, however that capture has been earmarked for police services that would be a transfer in/transfer out.

The decision by the DDA Members and City Council to enter into an interfund loan agreement also was another wise financial decision to spread the 2006 DDA Bond payments over the next seven years. The savings alone on interest will be \$2,897.

Appropriations for the DDA will be in the amount of \$53,933. The DDA will continue to repay the interfund loan until 2024 at an annual amount of \$20,222.47.

I would highly recommend to approve the DDA request to the City Council for this 2021-2022 fiscal year to as noted in both resolutions, the DDA Millage will have to be authorized each year by both the DDA Board and the City Council. The DDA Millage was initially levied in the maximum permitted amount of 2 mills. In accordance with Act 197, the DDA Millage will be levied and collected in the same manner as City ad valorem taxes and the first levy will coincide with the levy of the City's other taxes on the July 1, 2021 tax bill and levied at 1.9386.

When collected, the proceeds of the DDA Millage are to be paid to the credit of the Authority's general fund to be expended in accordance with the purposes and uses set forth in Act 197 and the DDA's Amended and Restated Development Plan and Tax Increment Financing Plan.

Further, the DDA Millage will be subject to reduction under operation of the Headlee Amendment much like City's general operating millage makes up roughly a quarter of the DDA revenues.

DPW

Over the last five years the City has entered into agreements with contractors for vacant lot mowing, cross connection inspections and emergency water service repairs. This has been a vital part to free our DPW to tackle other various projects and non-routine work. Water testing has become also a significant component as well as street maintenance and the goal is to have

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a department that is trained to wear many hats.

Significant investment in equipment and training will be a priority. Investment over the next three budget cycles includes construction of a salt building that will provides additional space for storage and a reroof and repainting of the DPW garage.

ECONOMIC DEVELOPMENT INVESTMENT

With the improving financial outlook and stable finances within the city over the last several years officials should invest funding and resources towards economic development in the downtown, commercial and industrial properties. This would include infrastructure, acquisition and redevelopment of distressed properties and working with other agencies to attract and retain talent and develop a diverse workforce. These efforts could be pursued in coordination with Montrose Township and Montrose Community Schools.

NEIGHBORHOOD ENHANCEMENT

In 2020 the City of Montrose was awarded a \$30,000 Neighborhood Enhancement Program Grant from the Michigan State Housing Development Authority. Funds allowed qualified homeowners to make exterior home improvements. This grant was well received and was awarded again in 2021. Code enforcement, funding opportunities, capital projects such as park improvements, neighborhood events will grow neighborhood pride and property investment. This will help grow desirable housing stock and property values.

MAJOR STREET AND LOCAL STREETS

In the past the city did very little preventative maintenance on both local and major streets. Moving forward this budget continues to address funding for crack sealing and patching to ensure the city is taking measures in extending the life out of the roads in the city. Obviously this will be a multi-year/on- going investment to see results but this is based on best practices. The increase in state road funding (ACT 51) anticipates revenues of \$202,639, for 2021-2022.

WATER AND SEWER

In the last three years there has been an increased push by state and federal agencies (DEQ now EGLE, EPA) in addressing the safety and quality of municipal water supplies and systems. DPW will keep informed of new testing and requirements related and provided by State Agencies. This year the state will be testing for (PFOS) Perfluorooctanesulfonic acid as it is now showing up in drinking water throughout the state.

The employees of the City of Montrose are committed in providing the highest level of service and utilizing resources in a prudent, efficient and equitable manner and they will continue to strive to address the current and future needs of the community.

CAPITAL PROJECTS AND PURCHASES FOR 2021-22.

Replacement of Hydrants/Valves - \$15,000
Crack Sealing Local and Major Streets -\$5,000
Washington Street Reconstruction \$140,000
Washington Street Storm Sewer Improvements/Upgrades \$40,000
Salt Shed/Outdoor Storage Building \$22,000

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Overall, the City is in a stable position to continue to provide a high level of public services during fiscal year 2022. The administration will seek out grants from the State of Michigan, Genesee County Metropolitan Planning Commission (CDBG) and local foundations to assist in financing many projects. Uncertainty in state revenue sharing and MTF (Act 51) related to COVID-19 will likely last over the next budget cycle. Home sale prices have improved throughout Genesee County over the last 5 years with record low interest rates. Up until March 2020 economists had predicted household incomes rising 3.7% to 3.4% for the next three years. Economists have indicated that this downturn related to the pandemic is not like others where a lack of work resulted in slowed economic growth. As consumer confidence improves with reduced cases and a vaccine can be developed it is likely not only in Michigan but throughout the world a slow economic recovery. Fortunately, the City of Montrose has not had the immediate impact as revenues are less tied to leisure, hospitality and recreation based economic activities. As the financial picture comes into focus the proposed budget for 2022-23 and 2023-2024 it will help council and staff shape future projects, services and be a useful indicator of the city's financial health.

PUBLIC COMMENT ON NON-AGENDA ITEMS: NONE

MAYOR AND COUNCIL COMMENTS: NONE

ADJOURNMENT: Mayor Brown adjourned the meeting at 6:33 p.m.

Prepared by Neil Rankin, City Manager