

MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
June 18, 2020

CALL TO ORDER: Mayor Colleen Brown called the special meeting to order at 6:03 p.m. The meeting was held at the Montrose City Office located at 139 S. Saginaw St., in Montrose.

ROLL CALL: Present Council Members were Mayor Colleen Brown, Debbie Gross, Christy Sanborn, Mark Richard and Ryan Heslop. Also present were City Manager Neil Rankin and City Clerk Tina Rush. Council Members Tom Bigelow and Robert Arnold were recorded as absent.

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

PUBLIC COMMENT ON AGENDA ITEMS: NONE

BUDGET WORKSHOP SESSION

1. 2020/2021 BUDGET WORKSHOP

Rankin had a PowerPoint presentation outlining the budget for the fiscal year beginning July 1, 2020 and ending June 30, 2021. Supplemental documentation is also included with this budget to provide more detail as to the budget's content. Rankin said the city implemented and approved last year a multi-year budget this has helped with budget forecasting, cash flow, and utilizing the full capabilities of the budget software.

The State of Michigan has also improved over the last ten years in providing revenue estimates in state revenue sharing and road funding. This multi-year budget has already allowed the city to prioritize capital outlay through planning multi-year projects and improvements. It also provides budget flexibility for proposed budgets of FY 2021/22 and FY 2022/2023 to provide budget framework allowing for staff and council to plan accordingly.

BUDGET OVERVIEW

The 2020/2021 millage rate for the city is **16.9479** generating an estimate of **\$432,672** 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. In November of 2018 the City passed a five-year 4.0 millage levy for public safety. The estimate revenue this year is \$100,374 which is also being reduced this year to **3.9317**. 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 2020 for each parcel and garbage collection for residential properties for \$190.32 per year. The millage amount for Mosquito Control will need to be adjusted in 2021 or it will run a deficit after 2020. This contract approved by council is set to expire in 2022.

The Downtown Development Authority has 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 bond 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

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position with the last OPEB study. Our audit showed an increase of \$20,903 and an end of year balance of FY2019/2020 of \$432,475. State revenue sharing will see a reduction due to the COVID-19 pandemic. The City has anticipated a reduction of 25% for 2020/2021 with the most significant reductions in the first half the City's fiscal year. 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) has been projected to increase over the next five years allowing for the city to complete more preventative maintenance of streets and potential grant funding for larger projects. MTF funding will see a reduction of 25-30% in the third 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 water and sewer funds will budget for capital outlay as there are items to be addressed regarding the extension of the watermain along Wilson and Nichols Roads and storm sewer replacement removing clay tile in several locations. 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 rate hikes as communities connect to the system.

The current Public Safety contract expired in 2020. The new contract is for three years and will see a 1.75% increase per year over or 5.25% over the next three years.

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 Revenues 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 retire in 2054 totaling \$743,000. This has resulted in governmental and business activities liabilities being reduced by \$157,739 last fiscal year. OPEB related liability at the end of FY 2019 was \$868,000 and saw a reduction of \$206,162 between the last two fiscal years. As the financial picture changes with the retirement of bonds, the City should examine one-time payments in order to accelerated 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 FY2020 will see the reduction in the employer contribution for the second year in a row. Employees will continue to contribute 8% of gross wages and the employer will be contributing 10.39%. This reduction of the employer contribution is based on the actuarial plan managed by MERS. This was anticipated on MERS assumptions on returns on investment and actuarial facts beyond the city's control.

COMPETING PRIORITIES

The Montrose Planning Board at its November 2019 meeting amended the Capital Improvement Plan which was then subsequently approved by City Council at the December 2019 meeting. It identified ten of the twenty-two projects in the six-year capital improvement plan to be road related projects. These projects will easily exceed \$10 million dollars and the only means to address some of these projects will be with matching grants requiring matching funds. The city

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will continue to see an improved General Fund with the passage of the Public Safety Millage allowing other projects and purchases including park improvements, GIS mapping, and DPW equipment. Act 51 funding this year will be slightly less as a result of COVID-19. Estimates in reduction have been from 15% to 20%. 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.

DDA/DEPOT

The 2020-21 DDA budget will see a second year increase on the revenue side as the tax capture will increase an estimated \$5931.00 or over \$10,200 since the end of FY2017. The DDA issuing the two mill levy last year generated \$11,474 and the DDA ends the year with a fund balance of \$15,489.

The police millage will generate roughly \$6000 for the DDA, however that capture has been earmarked for police services which means it should 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.

With a fund balance of \$56,687 the DDA is slowly making progress in rebuilding the fund balance.

Appropriations for the DDA will be in the amount of \$53,132. The DDA will continue to repay the interfund loan until 2024 at an annual amount of \$20,222.47.

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 will initially be 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, 2020 tax bill.

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.

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 also become a significant component as well as street maintenance and the goal is to have 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 include installation of new radiant heating in the building that will provide energy and financial savings. Upgrades to equipment include new slide in salt spreader for the dump truck, push box for snow removal and

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attachments to equipment to allow other small projects to be completed. The mission of our DPW is to ensure that taxpayer dollars are being effectively and efficiently used today in developing plans for tomorrow.

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 \$133,400 for 2020-21 and \$147,200 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 City has also approved a contract with the Genesee County Water Waste Services and Montrose Township to construct a secondary water line into the city. This will provide not only a backup water source by improved fire protection and infrastructure for future development.

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 2020-21

- Replacement of Hydrants/Valves - \$15,000
- Crack Sealing Local and Major Streets - \$5,000
- Cape Seal of City Streets - \$100,000
- Washington Street Storm Sewer Improvements/Upgrades - \$40,000
- Upgrade of Water Reliability Study - \$8,000
- Purchase of new DPW Pickup/Plow - \$32,000

Overall, the City is in a stable position to continue to provide a high level of public services during fiscal year 2020-2021. 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 two budget cycles. Home sale prices have improved throughout Genesee County over the last five 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. A long term recession may present challenges to that trend. Economists have indicated that this downturn related to the pandemic is not like others where a lack of work resulted in slowed

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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. Proposed budget for 2020-21 and 2021-2022 will help council and staff shape future projects, services and as a useful indicator of the city's financial health. Fortunately, the City of Montrose will feel less of 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 2021-2022 and 2022-2023 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: Mayor Brown had a question on having enough funds for council members to attend training sessions.

ADJOURNMENT:

- **MOTION** by Richard **SECOND** by Sanborn to adjourn this meeting. All Ayes. Motion Carried.

Mayor Brown adjourned the meeting at 6:26 p.m.
Prepared by, Chrystal Raible, City Treasurer