

MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES

June 20, 2019

CALL TO ORDER: Mayor Colleen Brown called the special meeting to order at 6:05 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, and Mark Richard. Christy Sanborn arrived at 6:10 p.m., Ryan Heslop arrived at 6:15 p.m. and Robert Arnold arrived at 6:40 p.m. Also present were City Manager Neil Rankin, City Treasurer Chrystal Raible, and two citizens. Member Tom Bigelow was 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. 2019/2020 BUDGET WORKSHOP

Rankin had a PowerPoint presentation outlining the budget for the fiscal year beginning July 1, 2019 and ending June 30, 2020. Supplemental documentation is also included with this budget to provide more detail as to the budget's content. Rankin said in previous years a one year budget was proposed, adopted and amended, however this did not help with budget forecasting or utilize the full capabilities of our budget software. Furthermore, the State of Michigan has improved over the last ten years in providing revenue estimates in state revenue sharing and road funding. This multi-year budget has meant additional work for the staff but I believe it will pay dividends as the city moves forward completing capital improvements. These proposed future budgets for FY2020/21 and F2021/2022 does not lock the city into any commitment but serves as a means for staff and council to plan accordingly.

BUDGET OVERVIEW

The 2019/2020 millage rate for the city is 17.1140 generating \$422,851 in property taxes. The operating millage rate has been reduced 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. This past November the City passed a five year 4.0 millage levy for public safety. The estimate revenue is \$98,831 but with increasing assessed property values this may change in the future. The difference between what the charter allows and the current rate is 2.8860 mills which could be utilized in the future based upon projects and or economic circumstances. There is also a special residential assessment for Mosquito Control of \$30 per year, per parcel, which will expire in 2020. The millage amount for Mosquito Control will need to be adjusted in 2020 or it will run a deficit after 2020. This contract approved by council is set to expire in 2022. Garbage collection for residential properties will be \$184.92 per parcel.

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 bonds and the repayment to the city water and sewer funds.

The City of Montrose General Fund has slightly improved from last year and the net position has drastically improved with the last OPEB study. Our audit showed an increase of \$20,903 and

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end balance at the end of FY2018/2019 of \$388,901. State revenue sharing is still flat and most likely will be this way for the foreseeable future. However, the Genesee County Taxable Value Report tentatively shows an increase in taxable home values for the third year in a row and rising trend in home prices. The other good financial news is that the new roads bill has been pushed forward and funding increases over the next 5 years will change at a similar rate. The MDOT TEDF Grant the city will receive this year will ease the hit the major street fund would see without it. The water and sewer fund will also see capital outlay as these are items to be addressed with Genesee Street improvements. The General Fund with the current Public Safety contract expiring in 2020 this year with the Township should see slight increases. These cost increases will be from the union negotiations that the Township will engage in this fall. Water and Sewer Funds should be stable as rates with the Karegnondi Water Authority will limit rates hikes and stabilize funds in the long term and allow the City to improve the water system.

The City has two major liabilities the first is Long Term Debt related to improvements issued as General Obligation Limited Tax Bonds and Water Revenues Bonds. GO Bonds will be retired in 2020 and 2021. The other liability is legacy costs/future obligations of current and former employees as unfunded pension. This liability at the end of FY2017 was \$962,346 and saw a reduction of \$111,816 between the last fiscal years. 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 FY2019 will see a decrease of the employer contribution this year. Employees will continue to contribute 8% of gross wages however the employer will be contributing 13.10% beginning July 1st. 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 October 2018 meeting amended the Capital Improvement Plan which was then subsequently approved by City Council at the October 2018 meeting. It identified ten of the eighteen 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 tackle these projects will be with matching grants requiring matching funds. The city should see a growing General Fund with the passage of the Public Safety Millage. The increase of Act 51 funding plan that has been accelerated in 2019 will allow the city to complete road projects in the 2020-21 proposed budget. Regular street maintenance should be a priority as well as identifying future road projects. I would strongly avoid taking out road bonds for smaller projects but would recommend developing plans to address the busiest streets such as Feher Drive and Hickory Street. DPW conducted a traffic count this spring and the Genesee County Planning should have these results for council to utilize in decisions making. The City will also need to examine the options in installing a secondary water services as Montrose Township and City have been approached by the Genesee County Drain Commission to update its Master Plan.

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DDA/DEPOT

The 2019-20 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.

As I have mentioned in last year's budget report that there was a change in the Michigan Local Units Chart of Accounts. The State of Michigan mandates for local units to update/changeover the 244 (Depot) fund combined with the 248 (DDA) fund. For the DDA this does not change much as expenditure as the DDA has always included the Depot as a maintenance/operation component. However, for the Depot this means the current fund balance is now combined with the DDA. Donations to the Depot from foundations will be spent accordingly to the stipulations of the grant or donation.

The Depot will continue to have its own department number for expenditures to allow for capital outlay, maintenance and insurance for volunteers. The Depot Committee as an informal group should make an annual request as informal way to help the DDA board in the preparation of the DDA budget for items above and beyond the regular operations of that particular building.

With a combined fund balance of \$20,576 the DDA is slowly making progress in building fund balance. Appropriations for the DDA will be in the amount of \$70,268. The DDA will continue to repay the interfund loan until 2024 at an annual amount of \$20,222.47. Significant expenditure increases include trash collection increasing \$1020 with the new contract.

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, 2019 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 four 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 two budget cycles includes 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 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.

Genesee County Water and Waste has not indicated that rates will be rising in the near future, however I would anticipate a 2-3% increase by proposed budget 2021-22 as it will be then be five years without an increase. The city will begin cross connection inspections this fiscal year to comply with the 2018 change in state law.

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 \$165,600 for 2018-19. Although the city should try to match funds for road maintenance with state funding the city should actively budget to tackle smaller road projects including reconstruction and in particular address those streets that have the lowest PASER ratings as the city has a DPW employee qualified as a PASER rater.

WATER AND SEWER

In the last two 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 2019-20

Reconstruction of two blocks of Major Street- North & South Genesee - \$500,000
Replacement of Hydrants/Valves - \$15,000
Crack Sealing Local and Major Streets -\$5,000
Sidewalk Replacement/Installation Act 51 - \$10,000
New Restroom at Blueberry Park - \$80,000
Parking Lot at Blueberry Parking-\$13,000 - CDBG
New Computers for Office/DPW -\$10,000
New Copier- \$6000
DPW Radiant Heat System - \$6500

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Overall, the City is in a stable position to continue providing a quality level of public good and services during fiscal year 2019-2020. 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.

PUBLIC COMMENT ON NON-AGENDA ITEMS: NONE

MAYOR AND COUNCIL COMMENTS: NONE

ADJOURNMENT

Mayor Brown adjourned the meeting at 6:50 p.m.
Prepared by, Chrystal Raible, City Treasurer