

**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 16, 2022**

CALL TO ORDER: Mayor Brown called the regular Council meeting to order at 6:18 p.m. The meeting was held at the Montrose City Offices located at 139 S. Saginaw Street, Montrose, MI.

ROLL CALL: Present Council Members were Mayor Colleen Brown, Robert Arnold, Mayor Pro-Tem Mark Richard, Ryan Heslop, Andrea Martin, Also, present were City Manager Neil Rankin, City Clerk Tina Rush and no citizens. Members Tom Bigelow and Aaron Burch 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

UNIFORM BUDGETING AND ACCOUNTING ACT

Provides for the formulation and establishment of uniform charts of accounts and reports in local units of government; to define local units of government; to provide for the examination of the books and accounts of local units of government; to provide for annual financial reports from local units of government. This also includes advance publication and for hearings thereon with an advisory committee selected by the state treasurer from the local units and from other interested or concerned groups. The uniform chart of accounts, when finally adopted ,shall be published and made readily available to all interested persons.

The city manager shall be responsible for the submission to the council no later than the first regular council meeting in May of each year, a recommendation budget covering the next fiscal year of July 1st to June 30th. Council annually moves to hold a June budget workshop before the regular council meeting. Shortly thereafter council will approve the recommended budget as the budget must be adopted by the first meeting in June. The State of Michigan prescribes the uniform chart of accounts which get revised year to year. There was no revision this year after two years in a row of revisions.

BUDGET OVERVIEW

The 2022/2023 millage rate for the city is **16.5166** generating an estimate of **\$490,524** 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 and a result of demand for affordable homes and a seller's market. 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, 2020, 2021 and again in 2022.

In November of 2018 the City passed a five-year 4.0 millage levy for public safety. The estimate revenue this year is **\$115,985** and is also seeing a millage reduction this year to **3.8064**. 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 that passed in May of 2022 of \$45 per year which will expire in 2026 for each parcel and garbage collection for residential properties for \$208.56 per year. The assessment amount for garbage collection will need to be

**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 16, 2022**

increased by \$12.60. This increase was not planned but rather a result of increased fuel prices in fuel recovery cost as well as an increase in recycling imposed by the county that the contractor has no control over. Council must decide if they wish to continue the public safety millage in the next fiscal year as that will significantly determine the budget in 2024.

The Downtown Development Authority may again request this year that council approve the 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. This millage has also been reduced to 1.8562 mills and will generate \$12,648. The tax capture is estimated at \$88,150 this is an increase of around \$6,000 as a result of the increase of \$562,051 of taxable value within the DDA district.

The City of Montrose General Fund saw a reduction from the last fiscal year by \$37,423 to \$448,980. Part of the reason for this was due to Covid-19 as projects anticipated to be completed in 2020 were pushed into 2021.

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 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 has not increased in six years and a healthy fund has allowed for projects to be completed. At the start of 2022 Sewer rates were increased to cover future county treatment costs. Genesee County Water and Waste will be making significant improvements to the sewer system/ treatment facilities to prevent releases during storm events and upgrade aging infrastructure. Water and Sewer Funds should be stable as rates with the Karegnondi Water Authority will limit rates hikes as communities connect to the system. However, the increase costs of fuel, labor and treatment chemicals will put pressure on minimal increases. The City has invested in a wireless electronic metering that has the ability to identify water loss and the completion of the water study will help address cost savings.

The current Public Safety contract is for one more year and will see a 1.75% increase over remainder of the contract. Starting December 1, 2023, the contract will be \$395,034 for 24/7 police and fire coverage. The public safety millage covers roughly \$115,000 leaving the GF to cover around \$280,000 or around 40% of General Fund revenues.

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. 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

**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 16, 2022**

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 2021 meeting amended the Capital Improvement Plan which was then subsequently approved by City Council at the December 2021 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 budget projections anticipate to see an improved General Fund over the next three years. This is due to a number of factors including the passage of the Public Safety Millage, ARPA Funds, state funding for roads and water, increasing home sales/values and an economy that despite inflation and other issues as the world moves out of a post pandemic are relatively positive. This is also allowing the city to address projects and make purchases including park improvements, GIS mapping and DPW equipment.

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 to be used 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 slowly emerging on the criteria.

The City has received the first tranche of funding from ARPA and has expended a little over \$60,000 on storm water improvements. The second tranche will be disbursed in the coming weeks and the city will anticipate a balance in the 285 Fund (unearned revenue) of \$94,278.

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service

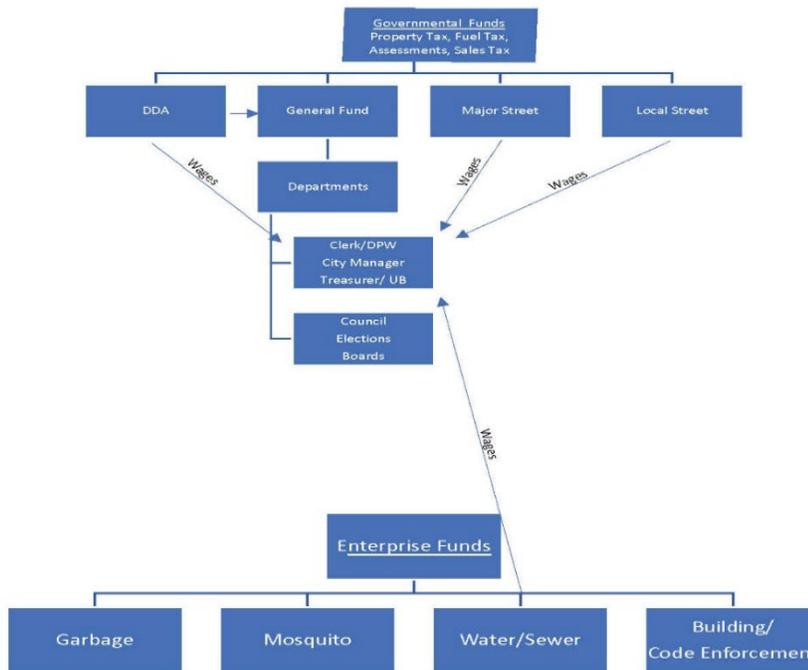
**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 16, 2022**

funds, capital project funds, and permanent funds. The City reports the following funds as “major” governmental fund.

Proprietary Funds/Enterprise Funds - distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the proprietary funds is charges to customers for sales and services.

Fiduciary funds include amounts held in fiduciary capacity for others. These amounts will not be used to operate the City’s own programs. Activities that are reported as fiduciary include: OPEB, Pensions, escrow for programs/grants.

CITY FUND STRUCTURE



DDA/DEPOT

The 2022-23 DDA budget will see a fourth-year increase on the revenue side as the tax capture will increase an estimated \$650 or over the end of FY2021. 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.

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.

**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 16, 2022**

Appropriations for the DDA will be in the amount of \$67,203. The DDA will continue to repay the interfundloan 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 2022-2023 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, 2022 tax bill and levied at 1.8562.

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, crossconnection 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 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 purchase of equipment (skid loader), repairs to equipment including the dump truck and replacement of tires on the backhoe that will ensure our equipment is in good running condition.

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. This effort 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 2022. Code enforcement, funding opportunities, capital projects such as park improvements and neighborhood events will grow neighborhood pride and property investment. This will help grow desirable housing stock and property values.

**MONTROSE CITY COUNCIL SPECIAL MEETING MINUTES
JUNE 16, 2022**

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 \$ 216,853.27, for 2022-2023 that is around a 7% increase.

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 was awarded \$172,000 EGLE Grant to test for lead in residential water lines. The staff is also anticipating funding from the Drinking Water Revolving Load Fund. This process is ongoing but should have a clearer picture regarding funding and scope of project by the start of the 2023 FY.

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 2022-23.

Replacement of Hydrants/Valves - \$15,000
Purchase of Skid Loader- \$35,000
Crack Sealing Local and Major Streets -\$5,000
Feher Drive -\$650,000 street \$300,000 storm

Overall, the City is in a stable position to continue to provide a high level of public services during fiscal year 2023. 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.

As the financial picture comes into focus the proposed budget for 2023-24 and 2024-2025 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 6:52 p.m.
Prepared by City Clerk, Tina Rush