## September 25, 2016

TO:

Mayor Tonkin and City Council Members

FROM:

Mark Slown, City Manager

SUBJECT:

2017 Budget

## **Summary**

As we did in 2016, the proposed Budget for 2017 contains major new initiatives. These initiatives will stress the City's capacity but also meet critical needs to move the City forward. This stress is not by design, but necessity. The 2017 budget needs to fund critical infrastructure work to complete the first year of the USDA Water Improvement System Project, conduct the SAW grant program, and bond (with Council and then voter approval) for the purchase of major equipment items that have been deferred for many years. None of these major initiatives can be delayed without significant risk to the City. Any one of these initiatives would be significant. Together, these initiatives will definitely stress the City's capacity. However, all three are essential to keep the City moving forward. I will explain them in more detail below.

# Expected Outcome of 2016

The starting place for the 2017 budget is the expected (projected) outcome of the 2016 budget. The expected outcome of the 2016 budget contains mostly positive results, but not all. At this time, the Fund Balance for the General Fund is projected to end 2016 at \$416,760. The fund balance had been planned to end 2016 at \$495,000 due to expenses related to the MDOT roundabout. Unfortunately, we experienced a few areas of higher than expected expenses, including Elections (+\$2,000), City Hall Building and Grounds (+\$1,500), Fire Equipment Repair (+\$2,500), DPW Equipment Maintenance (+\$58,000), Zoning (\$3,000), Al Quaal (+\$6,000), and Park and Recreation (+23,000). Due to this projected reduction in fund balance, I have ordered the Department Heads to immediately cease all non-essential spending (a spending freeze). As we complete the remainder of 2016, we will try to prevent the Fund Balance of the General Fund from dropping further. The Fund Balance for Major Streets is up from \$26,000 to a projected \$73,000. The Fund Balance for Local Streets is down from \$276,000 to a projected \$198,000 due to Routine Maintenance (+\$26,000) and other expenses. The Fund Balance for the Revolving Loan Fund has been eliminated (as planned) because a city revolving loan fund is no longer a State sanctioned City activity. The last remaining outstanding loan has been transferred

to the General fund. The Fund Balance for the Public Improvement Fund is projected to decrease from \$292,000 to \$252,000. Water and Sewer Funds are projected (respectively) to end 2016 with \$2,646,000 and \$8,576,000.

With minor variations, the City's other funds remain healthy and are operating as planned. Remember that in two years the Waste Disposal Fund will need to conclude the planned draw down of its Fund Balance. Also, the DDA has reduced its spending significantly in response to increasing bond payments.

With the 2016 record as an established financial base, the City of Ishpeming can move forward into 2017 budget challenges.

## Taxable Values and Millage Rate

Based on information from the County Equalization Department, the City's 2017 taxable value is \$115,704,461. The City Council should adopt a tax levy in 2017 as follows:

Tax category	millage	Revenues
Operations: Retirement: Public Improvement:	13.4433 1.7212 4.4810	\$1,555,450 \$171,758* \$518,470
Total:	19.6455	\$2,245,678

\*NOTE: The millage for the required Act 345 Retirement Program annual contribution has not yet been established by Marquette County; however, we know that it will not be more than 1.7212. We hope to have this information prior to the presentation, but it was not available at the time of publication of this message.

The revenues from this levy are included in the proposed 2017 budget.

#### 2017 General Fund

Since the Fund Balance for the General Fund declined in 2016, we must work to build it back up in 2017. Planned spending in the General Fund is conservative. Most areas of the General Fund have small adjustments in expenses. Increases planned are minor and necessary; for example, Marquette County will be charging the City for postage related to assessing services. This postage cost is something that we would have to pay regardless of who was providing the assessing services. Agreed labor contract increases are included in the budget for all union employees and for non-union employees too. If the budget is executed as planned, the Fund Balance will increase about \$33,000 by the end of 2017 to about \$450,000.

## 2017 Major and Local Street Funds

The Major and Local Street Funds and the conditions of our streets will continue under stress until the State of Michigan corrects the state-wide problem with road funding. The inadequate Act 51 funding makes us unable to keep up with basic maintenance expenses. Especially the Local Street Fund, which is not able to pay for all necessary expenses. One option is to propose a voter millage for street repairs. Another option is to offer special assessments to the property owners on streets in poor condition. Both of these options will increase the cost to the local residents as a means to improve the quality of the streets in the City. Without additional dedicated street funds, the condition of our streets will continue to decline. On the positive side, the City of Ishpeming is planning the USDA Water Improvement Project in 2017-18. In this project, many street segments will be replaced with the water main work. Also, MDOT has provided major funding in 2016 to complete the US-41 Roundabout and the associated road modernization between Second and Third Streets (a second roundabout) and rebuilding of Third Street from Bessemer to Park Street. The City of Ishpeming will benefit tremendously from this work.

In 2017, we propose Major Street expenses of \$437,156 with revenue of \$430,100. The difference of \$7,056 will come from the Fund Balance. In the Local Street Fund, we plan to spend \$340,370 with revenue of \$243,500. The difference of \$98,870 will come from Fund Balance. Obviously, the Local Street Fund Balance cannot sustain this needed level of expense for another two years without financial help. Except for USDA Water Improvement Project related street improvements, no special construction projects are planned for Major or Local Streets in 2017. If we are able to work out a deal for the mine rock stockpile, we may be able to add reconstruction of Bessemer Street to the budget as an amendment.

#### Water Fund

The USDA Water Improvement Project and the SAW Grant will be the major focus of the City in 2017 and into 2018. A separate tracking budget (404-Water System Improvement) for the USDA project and the SAW grant has been established. This capital investment of the special fund will be folded into the Water and Sewer Funds after the project work is completed. Tentatively, this special project budget is balanced at \$7,461,500 in expected revenues and expenses for 2017. There will almost certainly be adjustments to this budget as project costs become firm. Revenues will come from a combination of the USDA Bond, USDA grant, and SAW grant.

The Water Fund is planned to have \$1,923,500 in revenue and \$1,654,000 in expenses. The surplus of \$269,500 will be used to eliminate the fund deficit and increase the Fund Balance.

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#### Sewer Fund

The Sewer Fund is expected to have \$1,378,900 in operating revenues against \$1,355,372 in expenses. These amounts track fairly close to past Sewer fund spending, excluding any emergency repair projects.

## Downtown

In 2017, the Downtown Development Authority (DDA) Fund is cutting back on expenses and reducing the number of meetings they will hold as an economy measure. With about \$200,000 in debt and other mandatory payments, the DDA will have about \$30,000 in discretionary spending. Most of this will go toward payment for beautification work, City services, and ongoing downtown programs. While the DDA does have some substantial fund balance reserves, most of these funds are debts from the City and not cash. After some of the DDA debt is paid down, the DDA will be able to make a larger contribution to City revitalization in future years.

## 2017 Public Improvement Fund

The fund has expected revenues of \$617,770 and expenses of about \$613,415, resulting in a small surplus of \$4,355 to add to the fund balance, leaving a fund balance at the end of 2017 of \$256,352. These funds will be critical for future needs.

The 2017 Public Improvement Fund budget includes the following primary expenditures:

City Hall - \$30,000 for building improvements.

Cemetery - \$16,000 for various projects.

Police - \$73,000 for a new equipment, including a new vehicle.

Fire - \$38,900 for replacement equipment and improvements. (\*\*Note: see Bond Proposal)

Public Works - \$5,000 for building improvements. (\*\*Note: see Bond Proposal)

Parks - \$7,000 for improvements. (\*\*Note: see Bond Proposal)

Al Quaal - \$15,000 for building improvements.

Library – \$40,500 for building improvements, books, periodicals, video and audio products, and computer work stations.

Contracted Services - \$80,000 for demolition, curb, sidewalks.

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Transfers Out - \$222,320 (\$187,300 for debt payments and \$50,000 for the SAW grant match).

Bond and Interest Payments - \$82,695.

The total of all Public Improvement expenses is \$613,415.

Building up the Public Improvement Fund Balance is necessary to have funds available for future capital expenses of which the City has many needs.

## Library Millage

Under Act 164, the City Council is authorized to levy 1 mill to pay for public library expenses. While it is too late in the year to enact this levy for 2017. The City may consider using this tool in future budgets.

## 2017 Bond Proposal

Due to a lack of funds (\*\*Note: Per comments in the PIF budget, several equipment items were removed from the 2017 budget. The omitted pieces of equipment are detailed below.) I am reluctantly proposing a voter approved bond referendum. The Department Heads have requested essential equipment items that are needed; unfortunately, there is no room for them in this budget.

Along with this proposed 2017 Budget, I am asking the City Council approve in concept a general bond referendum proposal. The Council would have to take further action in 2017 to set the Bond Proposal before the voters; therefore, approval of the concept now is not binding. If the 2017 City Council approves the referendum language, the vote would take place at a scheduled election in 2017 with a tax collection effective in 2018. This bond proposal would be approximately \$1,265,000 in capital equipment to be paid over a 10 or 12 year period. The equipment includes:

Item	Estimated Cost
Aerial Ladder Fire Truck***	\$750,000
DPW Loader	\$175,000
DPW Plow Truck	\$250,000
DPW One Ton with dump box	\$50,000
Parks and Recreation Truck	\$40,000
Total	\$1,265,000

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\*\*\*Note: The Fire Chief could substitute a Pumper Truck for the Aerial unit if necessary. Detailed discussion of the need and reasoning for this purchase, will be provided by Chief Anderson.

The exact millage required to pay for this bond will depend on interest rates and other factors that cannot be determined at this time. However, it should be possible to make the annual payments on this bond with a levy of about 1.2 mill.

While going forward with this request to the voters, it may also be desirable to include a levy for another 1 mill to pay for additional street paving work that is greatly needed, but unfunded at this time.

Mark Slown City Manager



# CITY OF ISHPEMING VOLUNTEER FIRE DEPARTMENT FIREFIGHTER'S ASSOCIATION



100 South Lake Street • Ishpeming, MI 49849 (906) 486-4426

#### Reasons for purchasing an aerial ladder truck for the city of Ishpeming:

- 1. Six story senior citizen housing complex. The building is not sprinklered. Ladders will not reach upper levels even with Negaunee's 50 foot ladder truck. Negaunee's 50 foot Tele-Squirt has a tip load of 250 pounds and is not mean't as a rescue ladder.
- 2. Marquette County Medical Care Facility. Large single story complex. Would need to get water on a large fire from above to contain, potential roof collapse is a concern if FireFighters were placed on roof.
- 3. Bell Memorial Hospital. Large single story complex. Would need to get water on a large fire from above to contain. Large roof area where potential roof collapse is a concern if FireFighters were placed on roof.
- 4. Ishpeming High School. Large 3 story complex, unable to reach the roof with ground ladders.
- 5. Our downtown retail buildings share common walls, out of reach from our ground ladders. The old Gossard building is unreachable with ground ladders. Even City Hall's roof and tower would be near impossible to access by FireFighters.
- 6. Country Village motels. Lightweight truss construction, fast roof collapse potential.
- 7. Country Village retail buildings. Lightweight truss construction, fast collapse potential.
- 8. Mather Inn. Large 3 story building. Unable to reach roof to ventilate or contain large fire.
- 9. Michigan National Guard complex. Large building with roof collapse potential.
- 10. Ski Hall of Fame. Tall roof line, impossible to reach top with ground ladders.
- 11. Many churches in the city with high roof lines. Without an aerial ladder truck it's impossible to reach roofs of many churches in the city safely.
- 12. Canda Manor Apartments, Seventh Street Apartments, Phelps Square Apartments and Woodcliff Apartments are some examples of large buildings with lightweight construction, likely hood of fast roof collapse in a fire.
- 13. Numerous individual homes with steep roof lines. Many have roof peeks that our roof ladders will not reach safely or have metal roofs that are slippery even in good weather. FireFighters are in danger of slipping on snow or ice covered roofs. Many with chimney's are very difficult to access. Add snow to even our regular two story homes in the city, it's easy to see where an aerial ladder truck is needed.
- 14. We need more water pumping capacity than we have now. ISO stated we should be able to pump at least 3000 gallons of water per minute. We have 2500 gallons per minute fire pumping capacity.
- 15. ISO's 2016 Audit Report supports our need for an aerial fire truck.

With City Council's authorization we would like to pursue the purchase of an aerial ladder truck for the city in 2017.

Sincerely:

Edward Anderson Fire Chief Ishpeming Vol Fire Department Example photos of aerial fire trucks.

Rear Mount aerial's, are higher overall height generally.



Mid-Mount Aerial, lower overall height. Would be easier to get into our fire hall with a lower height.



Both of these aerial ladder trucks have a 75 foot ladder. There are several manufactures of these type of fire trucks.

This is a 100 foot mid-mount aerial tower, it's called a tower because of the bucket on the end of the ladder. They make these in 75 foot configurations. There more expensive, but multiple Firefighters can work in them. This photo was taken in 2011 at the Ishpeming Senior High Rise.

We would prefer this type of aerial device in a 75 foot configuration.

