

A Special Meeting of the City Commission was held in the Commission Room of the City Hall – 225 East Portage Avenue, Sault Ste. Marie, Michigan on Monday, April 24, 2017 at 4:15 p.m.

Present: Mayor Bosbous, Commissioner Bauer, Gage, Gerrie, Lynn

Also Present: City Manager Turner, Deputy City Manager Troyer, City Attorney Cannello, and Finance Director Collins

### **RECONCILIATION OF THE 2017-2018 and 2018-2019 FISCAL YEAR BUDGET:**

On Monday, April 17, 2017, in accordance with Section 8.2 of the City Charter, the City Manager submitted a recommended budget to the City Commission for the fiscal year beginning July 1, 2017 and ending June 30, 2018 as well as the fiscal year beginning July 1, 2018 and ending June 30, 2019. Thereafter, on Tuesday, April 20, 2017 at 4:15 p.m. the City Commission met in a Budget Work Session to review the budget as recommended by the City Manager. Former City Commissioner Bill Munsell agreed to facilitate the budget review process at this Budget Work Session. The City Commission utilized a “Hit and Wish List” during the budget review process, which allows any individual Commissioner to propose the addition of items to or deletion of items from the budget as recommended by the City Manager.

This report addresses those “Hit and Wish List” items that were identified by individual City Commissioners during the Budget Work Session for additional discussion and consideration. As well, there are a number of corrections that are detailed in this list that were noted by staff during the Budget Work Session as being desirable for incorporation in the proposed budget that can ultimately be adopted by the City Commission. Please note that the inclusion of any item on this list does not indicate that it has the support of a majority of City Commissioners for either addition to or removal from the recommended budget. Rather, it indicates that one City Commissioner has requested that discussion be held on each item for possible addition to or removal from the budget that can ultimately be adopted by the City Commission.

At the April 24, 2017 Special Meeting of the City Commission which will be held at 4:15 p.m. to reconcile the proposed budget, the Mayor will review each of these items on the “Hit and Wish List” and will ask whether there is or is not majority support for modifying the recommended budget to reflect each potential change. If a majority of City Commissioners indicate support for adding something to or removing something from the recommended budget, then that modification will be incorporated into the proposed budget that will ultimately be introduced at the May 1, 2017 Regular Meeting of the City Commission and formally presented for adoption at the May 15, 2017 Regular Meeting of the City Commission.

The proposed budget will be placed on the City website and will be available for inspection at the Bayliss Library following the May 1, 2017 Regular Meeting of the City

Commission. Additionally, public hearings will be scheduled during the May 1, 2017 Regular Meeting regarding tax levies, water and sewer rates, the fee schedule, and the General Appropriations Act. After these public hearings are held during the May 15, 2017 Regular Meeting, the City Commission may thereafter take action to formally adopt the proposed budget. By order of the City Charter, the Commission is required to adopt a budget no later than June 1 of each year for the next successive fiscal year.

### **“HIT AND WISH LIST ITEMS”**

Detailed below are several distinct “Hit and Wish List Items” identified by Commissioners (or City Administration for corrections to the proposed budget) during the April 18, 2017 Budget Work Session for additional discussion and review.

#### **1. New Bridge Sign**

During the Budget Work Session, a ‘wish’ was made for City Administration to provide additional information regarding a replacement sign for the Ashmun Street bridge sign.

Deputy City Manager Troyer has previously determined that it would cost between \$18,000 and \$24,000 for a replacement sign and that it would cost \$2,000 to remove the existing sign, should it fail or should replacement become desirable.

Vital Signs has indicated that support for the sign will be discontinued in June 2017 and if the sign fails after that point in time it may not be serviceable. Concurrently, the sign could be operated until it is no longer possible to repair to a point of operability without investing a significant amount of resources.

DDA Director Knepper would like to discourage the use of digital signage in the historic downtown area and would propose as an alternative to a replacement sign the installation of a high quality banner bracket system on the corner of Ashmun and Sheridan. Other non-electronic and more historically accurate alternatives could be identified with additional research.

Final Decision: the City Commission voted unanimously denying the addition of the new/replacement bridge sign into the FY budget.

#### **2. Community Development Department Part-Time Staff**

During the Budget Work Session, a ‘wish’ was made to add an appropriation in the amount of \$11,000 back into the Community Development Department budget to continue funding the part-time code enforcement post. In the event the City Commission desires to continue funding this position, an additional \$1,100 would also be needed to pay for associated fringe benefit expenses. It should be noted that this position has been in place for about one year and was first funded for the fiscal year beginning July 1, 2016.

The position was not created to spread an existing or static workload amongst more

individuals, but rather to provide enhanced resources that would allow the full-time code enforcement officer to focus more attention on addressing priority blight properties while allowing the part-time code enforcement assistant to focus on 'lower-level' blight issues such as long-grass and junk and debris violations.

It should be noted that the proposed budget calls for the full-time code enforcement officer to be compensated on an hourly, straight-time basis for 40 hours per week. This proposal in its own right will aid in directing additional resources toward code enforcement.

According to Community Development Director Freeman, the position has been beneficial to the department's overall activities in promoting a focus on higher priority issues, however, based upon what the Department would offer pay and benefits-wise, it is possible that the City could experience a high degree of turnover in the position. Given the legal ramifications of doing code enforcement work poorly, there is a learning curve associated with the duties of the position, which could make training in a new person every year (a possible scenario) inefficient and ineffective.

As a note, should the City Commission wish to continue funding for this position, it may also be prudent to reevaluate its funding on an annual basis given competing fiscal priorities and pressures.

Final Decision: the City Commission voted 3 to 2 denying the addition of a part-time code enforcement officer.

### **3. Youth Program Subsidy**

During the Budget Work Session, a 'wish' was made to increase the allocation for youth program subsidy funding from \$35,000 to \$40,000 annually.

This line item is part of the City parks and recreation offering and is in essence a program, which allows local youth sports/recreation programs to apply for funding via an application process, proposal and presentation to the Community Services Board (CSB).

The CSB, through a methodical approach, reviews all applications and submits a recommendation to the City Commission for consideration and approval. This has been a preferred method of distributing youth recreation programming funds back to the community for years.

For multiple years, the City Commission budgeted \$35,000 annually as a baseline figure to be awarded and distributed across the many youth recreation organizations seeking funding through the auspices of the CSB. Most youth recreation programs seeking funds receive some form of funding, however, they likely do not receive all that they request. In 2016, the City Commission increased the annual baseline figure to \$40,000 with a focus on funds being reimbursed back to the youth recreation organizations for specific items approved.

Increasing the annual baseline figure to \$40,000 would be welcomed by the youth recreation organizations as it makes available more funding for their respective needs.

Final Decision: The City Commission voted unanimously to increase the program funding allocation to \$40,000 annually.

#### **4. Correction of MERS**

MERS expenditure correction, GL#101-56858-718. The amount entered into the budget for 2017-18 was \$797,200, but should have been \$681,600, a reduction of \$115,600. This correction, along with the next item, results in no net change to the fund.

Final Decision: The Commission unanimously approved the recommended correction.

#### **5. Correction of MERS**

MERS correction, Fringe Abatement GL#101-56858-724, The amount entered into the budget for 2017-18 was (\$1,021,100), but should have been (\$905,500), a reduction of \$115,600. This correction, along with the previous item, results in no net change to the fund.

Final Decision: The Commission unanimously approved the recommended correction.

#### **6. History Fest**

Correction/addition, GL#103-57179-801 The Historic Development Commission did not officially request funding for its annual history fest this budget year, however the intent of the group is to have the festival each year. The amount requested is to remain the same as prior years at \$2,500.

Final Decision: The Commission unanimously approved the recommended correction.

#### **7. West 8th Avenue Reconstruction – Meridian to Ryan**

During the Budget Work Session, a 'wish' was made to add an appropriation in the amount of \$600,000 to the proposed budget to provide for the reconstruction of West 8<sup>th</sup> Avenue between Meridian and Ryan. Included for review by the City Commission is a source and use sheet detailing the types of funding that would be necessary for the completion of this project.

As detailed by this information, funding this project would require the encumbrance of \$200,000 from Road Contingency leaving a balance in the amount of just over \$424,000 in that fund at the close of FY 19 and the encumbrance of \$400,000 from various water and sewer reserve fund. An update sheet detailing reserved funds for capital projects

has been additionally included for review by the City Commission.

From this process it is also expected that an additional \$30,000 would be collected in special assessments to facilitate the completion of this project.

A close examination of the various Road Contingency and utility fund reserves of the City was conducted and it was determined that it would be possible to complete this project at the estimated budget amounts. Concurrently, it should be noted that project completion would further draw down the water and sewer reserves during a time in which sustained consumption levels at current levels is uncertain.

On balance, the design-engineering component of this project could be added to the budget for FY 18 with the construction component of this project being added into the budget for FY 19. Completing the design engineering during FY 18 would allow project initiation and anticipating construction occurring during FY 19 would provide an additional period of time to further assess ongoing water consumption levels and to allow the phasing in of additional utility rates that will support capital improvement projects of this nature.

Final Decision: the City Commission voted unanimously to add the design/engineering of West 8<sup>th</sup> Avenue Reconstruction Project from Meridian to Ryan into the 17/18 FY Budget and the construction into 18/19 FY Budget.

**8. (Deleted/Removed during Budget Work Session)**

**9. Review Feasibility of Parking Deck, Fee Structure/Revenue**

The proposed budget recommends that the daily rates at the Osborn Boulevard parking structure be increased from \$1.00 for the first two hours and \$0.50 for each hour thereafter with a daily maximum of \$9.00 to \$1.00 for the first two hours and \$1.00 for each hour thereafter with a daily maximum of \$12.00.

According to DDA Director Knepper, the original feasibility study supporting the construction of the parking structure could lend itself to this rate being increased to \$1.00 for the first two hours and \$1.75 for each hour thereafter with a higher daily maximum.

The feasibility assessment for the construction of the parking garage has been included for review by the City Commission. This information includes details on the rates that were conceptualized at the time the parking garage was constructed.

Final Decision: the City Commission voted unanimously to increase the daily parking rates to \$1.00 per hour with a \$12 maximum daily rate.

**10. Commission Work Session – Police and Fire Pension Fund**

A joint meeting with the Police and Fire Pension Board, City Commission, and

consulting firms has been discussed and it is my understanding that all parties are in favor of doing so in an effort to provide for better understanding of current and past challenges faced by the fund and its board, steps that have been taken to improve the funding level, and recommendations going forward.

The board's routine and ongoing consultant team would include Actuary Michael Gano, of Gabriel Roeder Smith and Co., and potentially Investment Advisor David Wetzel of Fund Evaluation Group. Both of these gentlemen have agreed to participate in this meeting and I would not expect reimbursement of costs associated with this travel to be requested.

Additionally, the Board has recently hired a financial consultant, Brian Green of AndCo, to review the work of its financial advisors and provide a comprehensive review of performance from 2008 to 2016. A report was provided to the Board earlier this month, and will be the subject of discussion at its next meeting. Mr. Green stated he would be able to attend the joint meeting of the Police and Fire Pension Board and the City Commission if his participation is requested and has agreed to do so pro-bono.

We had expected costs associated with his travel considering that his services are not routine and ongoing in nature, but he was pleased to come. If the Commission requests, City Administration will work on scheduling a date and time for this meeting.

#### **11. Correction of Police Fire Pension Tax Revenue**

GL#732-84679-000. This account records transfers to the fund as tax revenue from the pension millage is received in the General Fund. As tax revenue projections and fringe benefits costs were finalized, changes were made to the General Fund, but this account should have received a similar adjustment and did not. The amount entered into the budget for 2017-18 was (\$1,472,900), but should have been (\$1,475,000), an increase of \$2,100. The amount entered into the budget for 2018-19 was (\$1,472,900), but should have been (\$1,504,500), an increase of \$31,600. This correction brought to light an issue with the cover sheet because the fund balance shown in the bottom row does not accurately reflect the assets held by the fund. The assets of the fund as of 06/30/16 were \$14,343,656. An adjusted cover sheet showing this actual balance and projected balances for the next three fiscal year ends will be included in the final budget document. Projected fund balance for 6-30-17 is \$14,188,949, 6-30-18 is \$14,233,549 and 06-30-19 is \$14,285,749.

**Final Decision:** The Commission unanimously approved the recommended correction.

#### **12. Discuss Power Canal Trail Location**

The recommended budget includes an allocation in the amount of \$178,300 from the Gaming Fund for FY 18 for the development of a walkway that is close to the Power Canal from West Portage Avenue to Johnston Street. As Commissioners are aware, the City has recently received an MDOT Transportation Alternatives Program grant in

excess of \$344,000 for the completion of this project. Additionally, as Commissioners are aware, City Administration has submitted a grant application for \$150,000 in additional funding from the MDARD in support of the project.

If this project is not approved the funds recommended for allocation for this project could be repurposed or utilized for other transportation improvements/projects. However, it is anticipated that redesigning the scope of the project could require several months' worth of staff time.

According to Community Development Director Freeman, the development of the Power Canal Trail makes sense in the location and configuration proposed; with the oft-stated goal of providing better connections between the LSSU campus and the downtown area, and a trail providing improved east/west circulation would accomplish that aim. It may be advisable for the City Commission to hold a work session at the edge of the Power Canal to walk the potential project area and discuss it on site.

Final Decision: the City Commission voted unanimously to continue with the current project plan.

### **13. Airport Fee Schedule Change**

The Airport Advisory Board, at its meeting held on February 9, 2017, by a 4-2 vote, recommended an increase in the monthly hangar fees from \$160 to \$165 for t-hangars and \$115 to \$120 for box hangars. It was projected that the additional revenues received from the increase would generate \$780 in additional revenues annually. As a note, hangar rental fees are retained by the Fixed Base Operator (FBO) for its services at Sanderson Field and a consideration of the Airport Advisory Board was supporting the ability of the FBO to meet increased cost demands.

Final Decision: The Commission unanimously approved the recommended correction.

### **14. Fee for Building without Permit**

In speaking with the Building Official after the Commission work session, the City's 2x fee ordinance provision for construction without a permit is unenforceable based upon the results of numerous court cases. Based upon Community Development Director Freeman's understanding, the main issue is that multiplying fees or applying a fine to work without permits deprives the party engaged in construction of due process. It would appear the best we can do under the circumstances is assess a fee to cover the costs of the staff time and effort needed to investigate the situation. The revised fee schedule would propose this fee be increased from \$60 to \$100.

Final Decision: The Commission unanimously approved the increase in the proposed fee.

### **15. Special Planning Commission Meeting Fee**

During the Budget Work Session, a 'hit' was made to a newly proposed \$150 fee for

special Planning Commission meetings.

The intention of the fee is to cover the costs of meetings needed outside of the regular schedule. Special meetings are not a common occurrence; however, with regular meetings scheduled monthly with both the PC and ZBA, there are opportunities for applicants to make it to a regular meeting. According to Community Development Director Freeman, the fee is intended to act more as encouragement to observe the regular meeting schedule.

Final Decision: The Commission unanimously approved the elimination of the proposed fee.

#### **16. Special Zoning Board of Appeals Meeting Fee**

During the Budget Work Session, a 'hit' was made to a newly proposed \$150 fee for special Zoning Board of Appeals meetings.

The same note would apply here as was stated for the special Planning Commission fee.

Final Decision: The Commission unanimously approved the elimination of the proposed fee.

#### **17. Various Right of Way permits**

During the Budget Work Session, several hits were placed on various, proposed right-of-way permit fees, including new fees for sidewalk closures, lane closures, and road/street closures.

City Engineer Basista has prepared a sheet with additional detail about right-of-way permits issued in 2016 (excluding utilities) and what impact the fees would have on each one (had the fees been in place). The removal of these fees would have a minimal impact on revenues included within the budget.

Final Decision: The Commission unanimously approved the elimination of the proposed fee.

#### **18. TIF 1 Tax Capture Revenue Reduction**

On April 19, 2017 we received an official announcement from the MEDC that due to the signing of several house bills, captures for Library millage are automatically opted out unless further action is taken by the Library to opt in. While this was foreseeable earlier, it was uncertain how local units and their capture districts would be expected to handle it until this time. Accordingly, tax capture revenues have been re-calculated without inclusion of the Superior District Library's 0.5 mill, and the difference is shown on the added hit & wish list items with the same nominal impact in both fiscal years. This note would apply to #18, #19, and #20.

GL#245-41403, a reduction in revenue of \$800 is estimated, bringing total tax capture

revenue for this district from \$51,000 to \$50,200.

Final Decision: The Commission unanimously approved the recommended correction.

**19. TIF 2 Tax Capture Revenue Reduction**

As per the note above, GL#246-41404, a reduction in revenue of \$1,200 is estimated, bringing total tax capture revenue for this district from \$79,800 to \$78,600.

Final Decision: The Commission unanimously approved the recommended correction.

**20. TIF 3 Tax Capture Revenue Reduction**

As per the note above, GL#247-41406, a reduction in revenue of \$2,000 is estimated, bringing total tax capture revenue for this district from \$126,800 to \$124,800.

Final Decision: The Commission unanimously approved the recommended correction.