

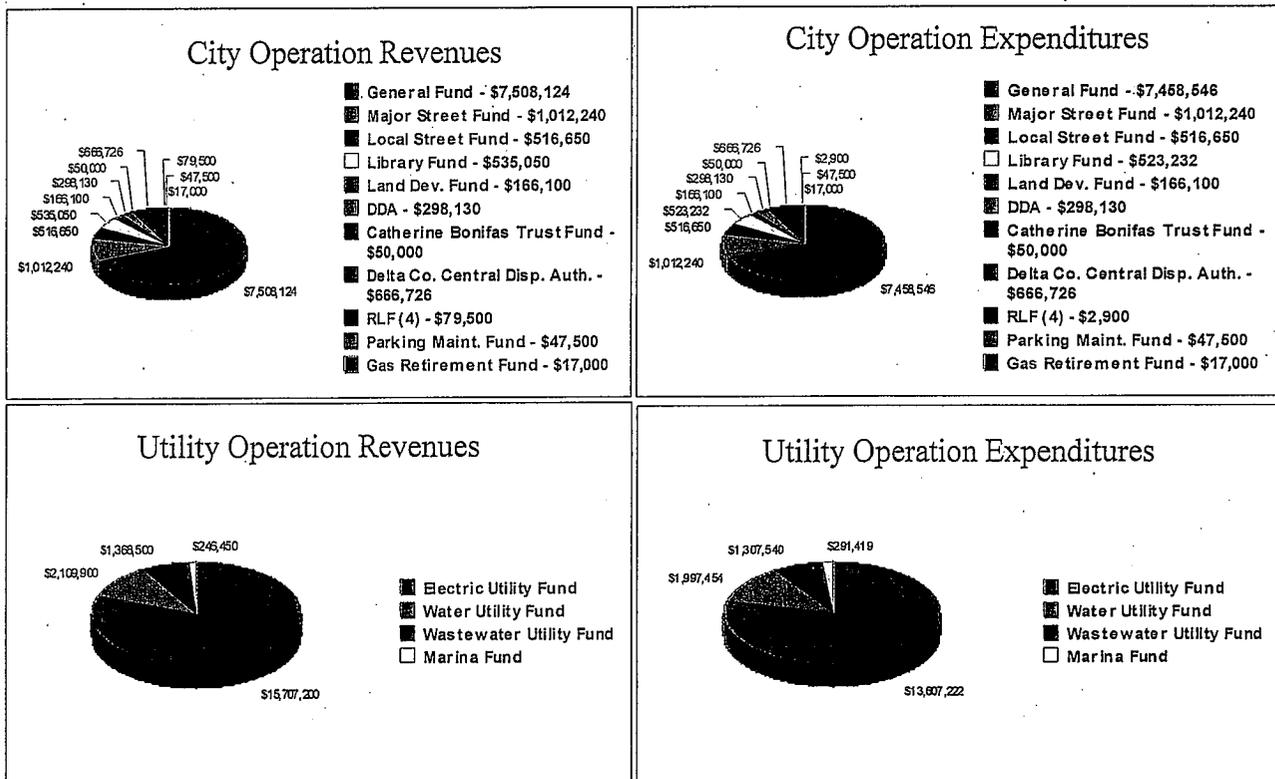
March 29, 2012

To the Honorable Mayor and City Council  
City of Escanaba  
Escanaba, Michigan

## CITY MANAGER'S BUDGET MESSAGE

Pursuant to the Escanaba City Charter and other relevant state laws, I hereby submit for City Council and community review the FY2012-2013 Budget. A copy of this document has been placed on file with the City Clerk and at the Escanaba Public Library, where the public may review it during normal hours of operation. An electronic version is also available on the City's web site: [www.escanaba.org](http://www.escanaba.org) and on the City of Escanaba's Facebook page at [www.facebook.com/pages/city-of-escanaba/330443348794](http://www.facebook.com/pages/city-of-escanaba/330443348794).

This budget, with nearly \$28 million in expenditures, reflects our commitment in providing core services to our community. The proposed FY 2012-13 Budget was developed using the best available information and revenue projections and is a budget that maintains an expected level of service. As is standard practice, the City must remain proactive in addressing potential revenue shortfalls, and we must continue to monitor and respond to what the Michigan Legislature does on matters that impact funding to local units of government.



### Mission Statement:



Enhancing the enjoyment and livability of our community by providing quality municipal services to our citizens.

*The City of Escanaba is an equal opportunity employer and provider.*

Following are some of the major highlights of the budget:

**City Millage Rate.** No increases are proposed in the upcoming FY2012-13 Budget. The City's millage rate has remained at 17 mills since July 1988.

**General Fund.** The General Fund budget, which supports many of the day-to-day activities of the City, is \$7,458,546, representing a decrease of 2.5% from the previous year's budget. At the end of FY2010-11, the General Fund balance was \$4,290,675, with a long-term debt obligation of \$2,777,000. At the end of FY2011-12, projections show an estimated fund balance of \$3,907,686 with a long-term debt obligation of \$2,595,000. In the FY2012-13 Budget, a projected fund balance of \$3,957,000 with a long-term debt obligation of \$2,415,000 is being budgeted. The long-term debt includes only bonded debt for which no specific fund is responsible. Additionally, the Electric Utility will provide \$463,624 of financial support to the General Fund. It is important to remember that this assistance allows us to maintain our level of general governmental services without having to increase taxes or further reduce or eliminate services.

Of special interest, you will see the proposed budget includes funding for the Bonifas Fine Arts Center, Delta County Historical Society, Esky 150 Celebration and the Bonifas Fine Arts Center Bay Area Art in the Park event.

**Solid Waste Collection.** No garbage/recycling collection rate increases are proposed in the upcoming FY2012-13 budget.

**Major Street Funds.** The Major Street Fund, which supports the day-to-day activities such as maintenance and snow plowing, is \$1,012,240. The City of Escanaba maintains 28.22 miles of major streets. At the end of FY 2011-12, projections show an estimated fund balance of \$1,582,000. The proposed budget includes appropriations in the amount of \$225,000 for repaving and maintaining existing major streets.

**Local Street Funds.** The Local Street Fund, which supports the day-to-day activities such as maintenance and snow plowing, is \$516,650. The City of Escanaba maintains 55.05 miles of local streets. At the end of FY 2011-12, projections show an estimated fund balance of \$554,000. The proposed budget includes appropriations in the amount of \$16,000 for a chip coat paving on South 21<sup>st</sup> Street, between 10<sup>th</sup> Avenue South and 12<sup>th</sup> Avenue South. The proposed budget also includes appropriations in the amount of \$112,500 for repaving and maintaining existing local streets.

**Electric Fund.** The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$13,607,222, representing a decrease of over 40% from the previous year's budget. A large part of this decrease total is due to the budget not including operating costs and coal purchase costs and the sales of energy to the MISO market. As of June 30, 2011, the overall City Electric Fund net assets exceed \$24,000,000. The current cash balance is approximately \$12,500,000.

It should be noted, the proposed budget is based upon our ability to shed our fixed cost with either 1) the sale of the Power Plant by June 30, 2012, or 2) a determination of the Midwest Independent System Operator (MISO) that the Escanaba Generation Facility is needed to

support their transmission system. Should MISO determine that our plant is critical to system reliability, they will then cover our fixed costs as well as our variable costs. Should either of those options not materialize by June 30, 2012, our budget will have to be amended to cover the fixed costs associated with the idling of the Power Plant. You will also see a moratorium is being proposed on further collections of any renewable energy charges. We are able to freeze the renewable energy charges due to some opportunity purchases that were made to meet the renewable portfolio standards as mandated by P. A. 295, of Public Acts 2008, the "Clean Renewable, and Efficient Energy Act." However, in accordance with the same public act, a modest increase on the energy optimization charge is in the proposed budget.

**Water Fund.** The Water Fund budget, which supports the day-to-day activities of the water treatment plant, is \$2,109,900. The overall City Water Fund net assets exceed \$6.7 million. The current cash balance is approximately \$200,000. A 6% water rate increase has been programmed into the upcoming FY2012-13 Budget. Water rate increases are attributed to needed capital improvements, new fire hydrant costs, rising chemical prices and the need to replenish the cash reserve into the fund. Even with the rate increase, Escanaba is expected to have one of the lowest rates per thousand gallons of water out of 102 utilities in the Upper Peninsula.

**Table II. Estimated Water Rates – Case Studies**

	Monthly Charge 11/12	Monthly Increase (6%) July 1, 2012	Proposed Monthly Charge 12/13 July 1, 2012
5,000 Gallons per month	\$23.88	\$1.43	\$25.31
10,000 Gallons per month	\$36.58	\$2.19	\$38.77
15,000 Gallons per month	\$46.73	\$2.80	\$49.53
20,000 Gallons per month	\$56.88	\$3.41	\$60.29

**Wastewater Fund.** The Wastewater Fund budget, which supports the day-to-day activities of the wastewater treatment plant, is \$1,368,500. As of June 30, 2011, the overall City Wastewater Fund net assets exceed \$8.8 million. The current cash balance is approximately \$2.1 million. No wastewater rate increases are proposed in the upcoming FY2012-13 Budget.

**Table III. Estimated Wastewater Rates – Case Studies**

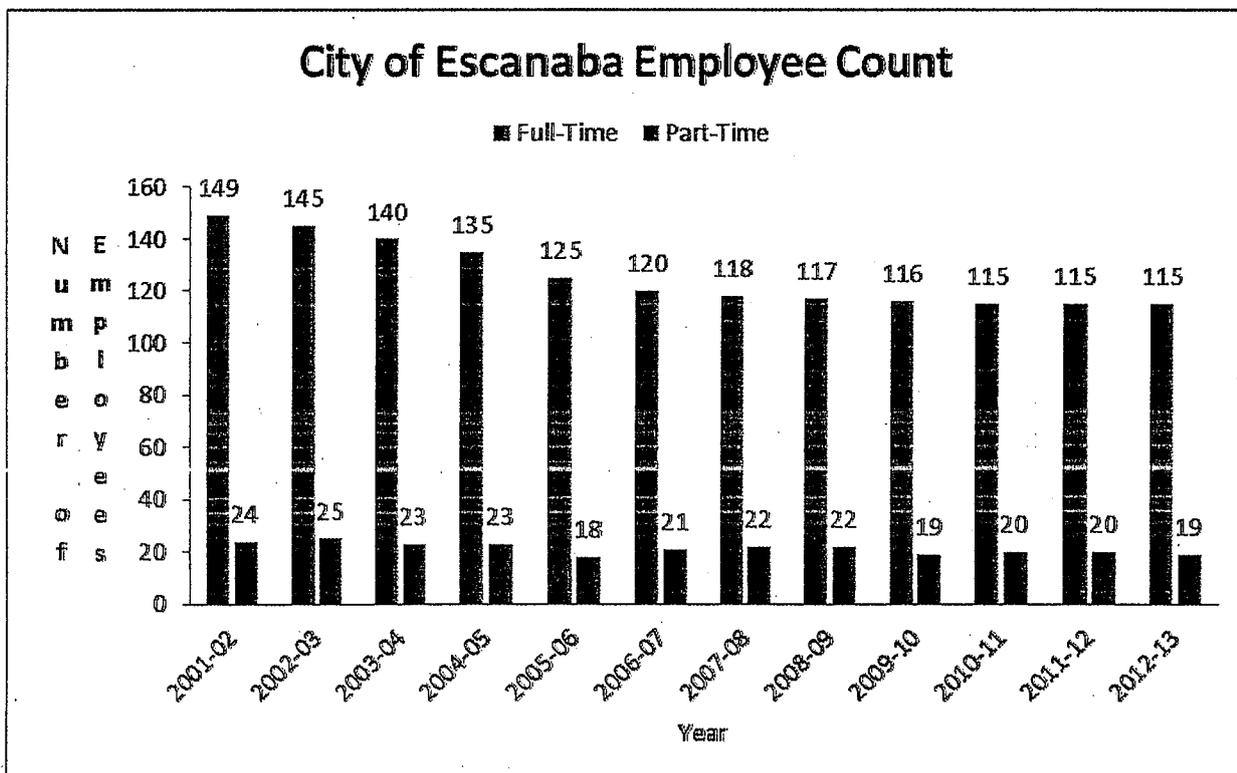
	Monthly Charge 11/12	Monthly Increase (6%) July 1, 2012	Proposed Monthly Charge 12/13 July 1, 2012
5,000 Gallons per month	\$18.60	\$0	\$18.60
10,000 Gallons per month	\$31.20	\$0	\$31.20
15,000 Gallons per month	\$43.80	\$0	\$43.80
20,000 Gallons per month	\$56.40	\$0	\$56.40

**Library Fund.** The Library Fund which supports the day-to-day activities of the Library is \$535,050. As of June 30, 2012, the Library Fund fund balance is projected to equal \$92,948. The Library continues to play a critical role for our community as the State of Michigan transitions to a knowledge-based economy dependent on technology. The Escanaba Public Library strives to keep pace with increasing demands for digital skills and resources, while maintaining core services in a climate of declining revenues. Challenges for the Library for

FY2012-13 will include responding to service area shifts, prioritizing service standards and continuing to explore strategic partnerships for sustainable funding. In the proposed FY2012-13 budget, \$365,000 is being transferred from the General Fund to the Library Fund. Without this transfer, further reductions in the Library will necessitate cuts to "open" hours, staffing levels and basic services in the future.

**Personnel and Staffing.** Full-time Staffing levels in the proposed budget are at the same levels as the previous year's budget with 115 employees. Part-time staffing levels have been reduced by 1 to 19 employees. However, the City has several long-term employees that are eligible for retirement in the upcoming year or could retire should the Michigan Legislature continue to pass legislation that impacts employees' earnings and retirement benefits. Should those employees retire or should employees leave the employment of the City before retirement, the future vacancies will have to be examined closely to ensure that our human resources are aligned with both our operational needs and our financial means.

Two (2) collective bargaining units have agreements that are set to expire with the upcoming fiscal year. Those units are the Teamsters #486, Water/Wastewater Group and Teamsters #486, the Municipal Group and Clerical. The International Brotherhood of Electrical Workers, Local #979, who represents the Electrical Department employees, continue to work without a contract. Teamster's Local #486, Public Safety Command Unit and Teamster's Local #486, Public Safety Officers and Dispatchers Unit, have contracts through June 30, 2014.



No increases in wages for any of the City employees are included in the proposed budget. This is an item that needs to be discussed during the City Council budget work sessions.

	2007-08	2008-09	2009-10	2010-11	2011-12
Non-Union	2.50%	3.0%	\$100 stipend	1%	0%
<b>UNIONS</b>					
Municipal Group	2.50%	2.50%	\$100 stipend	1.0%	2.5%
Water/Wastewater Group	2.50%	2.50%	1.50%	1.50%	2.0%
Public Safety Command Group	2.5/3.5%	1.5/3.0%	1.0/3.0%	1.0/3.0%	0%
Public Safety Officers	2.50%	3.0%	2.50%	2.50%	0%
Electrical Group	2.75%	3.00%	2.50%	2.50%	0%

**Recommended Capital Improvements.** Annually, the Escanaba Planning Commission is required by State law to prepare a recommended Capital Improvement Plan with public input and to submit that plan to the City Council. A capital improvement is any improvement and direct engineering cost which involves the construction, purchase, and/or renovation of a public way, space, building, structure, or utility. Notable recommendations of the Planning Commission in this year's Capital Improvement Plan/Budget include:

**Esky 150 Trees and Neighborhoods Planting Parties**

**Description:** As part of the Esky 150 celebration, 150 trees, shrubs and daffodil gardens will be planted throughout the City of Escanaba in neighborhood parks and recreation areas, at the public schools and in the U.P. State Fairgrounds to celebrate the Escanaba Sesquicentennial in 2013. Funding for this project will be raised through the Esky 150 Organization and through private donations. The opinion of cost for this project is \$86,000.

**"Our Town" Grant – National Endowment for the Arts**

**Description:** This program is for community projects that "use design and the arts to create livable, sustainable neighborhoods with enhanced quality of life, increased creative activity, district identities, a sense of place, and vibrant local economies that capitalize on existing local assets. If approved, the project would extend over a two year period and be executed in phases. During Phase I, the formation of an Arts & Culture Council will be created. Phase II will focus on enhancing existing activities that make the City more livable such as the Esky 150 Celebration, the Maritime Festival, the Waterfront Art Fair, and the Marina Fest. Phase III will focus on public art that accentuates the area's maritime characteristics. Funding for this project will be raised through a grant and local contributions and donations. The opinion of cost for this project is \$100,000.

**Chip Seal South 21st Street from 10th Avenue South to 12th Avenue South**

**Description:** A petition for chip sealing South 21st Street from 10th Avenue South to 12th Avenue South was filed by the adjoining property owners. The petition was returned on March 14, 2012. After review, 81.8% of the adjoining property owners, by linear frontage, signed the petition. Chip seal is a pavement surface treatment that is less expensive than normal asphalt. Chip seal is constructed of layers of fine aggregate (chip) and liquid asphalt binder. The chips are evenly distributed and then covered with a liquid asphalt binder. The

mixture is then compacted. The benefits of the chip seal are that it will control the dust and not require the City to perform annual grading activities. Funding for this project is proposed in the Local Street Fund in the amount of \$16,000.

**Downtown National Register of Historic Places (NRHP)**

Description: Financial and technical assistance in having downtown Escanaba enrolled on the NRHP will be provided by the State Historic Preservation Office. The opinion of cost for this project is \$50,000.

**Sidewalk Repair and Maintenance Program - City Wide**

Description: Routine repair and maintenance of existing sidewalk is needed City wide. Funding for this project is proposed in the General Fund in the amount of \$5,000.

**Sheridan Road Improvement Program – 1300 block to 1700 block – Property Acquisition – Continued from 2011-12**

Description: As part of the Comprehensive Plan, a strategy exists to improve the 1300 to 1700 blocks of Sheridan Road. The neighborhood has an ethnic heritage which will be capitalized on. The area has a defined neighborhood business district with well-maintained homes. Efforts to improve and demarcate the business district are being planned. Improvements include future off-street parking, standardized signage and street furniture. In 2007, electrical infrastructure was installed. In 2008, streetscape pedestrian lighting, poles and fixtures were recommended in the budget. Funding for this project is proposed in the Land Development Fund in the amount of \$50,000.

**20th Avenue North Substation (Former Compost Site) – Continued from 2011-12**

Description: A new substation will be located at the former City Compost Site on 20th Avenue North. The substation shall include transformers; fencing and other related materials, as well as a 69V interconnection to transmission lines owned and operated by ATC. Funding for this project is proposed in the Electric Fund in the amount of \$2,500,000.

**Bonifas Civic Center Restroom/Locker Room Upgrade**

Description: The Restrooms/Locker Rooms at the Catherine Bonifas Civic Center will be upgraded to include all ADA fixtures and equipment. In addition to ADA upgrades, a female locker room will be installed. Funding for this project is in the proposed budget and is slotted to come from a private donation in the amount of approximately \$100,000 and funding from the Catherine Bonifas Trust Fund in the approximate amount of \$50,000 for a total estimated project cost of \$150,000.

**Cross Country Ski Trail Upgrades – Year Round Trail**

Description: Upgrades to the trail system on the west side of Escanaba are proposed in the budget. Improving the conditions of the trail where possible by either redirecting the trail to avoid the swamp where possible or by adding to the

trail is the objective. Funding for this project is proposed in the Land Development Fund in the amount of \$5,000.

**Migratory Bird Enhancement Initiative – Ludington Park and Other City Spaces**

Description: In 2011, a restoration program concentrating efforts in Ludington Park to include Aronson Island to restore migratory bird habitat by managing and planting desired vegetation was undertaken. As a continuation of that effort, a National Fish and Wildlife Foundation Grant pre-proposal was submitted which, if funded, will provide funds to the City to increase the available habitat for migratory birds in City parks and the state wildlife management area (Portage Marsh) by planting native trees, shrubs, and forbes, and reducing through removal, non-native invasive species from the existing vegetation. Funding for this project will come from a grant (if approved) with local in-kind contributions for a total project cost of \$100,000.

**Marina Water Basin Management Plan – Treatment – (Split Between the Current Fiscal Year and the Upcoming Fiscal Year)**

Description: In order to maintain the beneficial uses of the marina, a Marina Water Basin Management Plan was created in 2011. Within this plan, the physical characteristics of the water body were determined, outflow rates were determined and biological characteristics of the water body were defined. Additionally, the aquatic nuisance problems occurring in the water body were described, including a description of the activities being impaired by the nuisance conditions, and a map indicating locations of the targeted nuisance species. In follow-up to the plan, the aquatic treatment of the basin using various aquatic weed removal methods, such as treatment, hand removal and harvesting will take place. Funding for this project is proposed from the Marina Fund, Downtown Development Fund and Land Development Fund for a total of up to \$35,000.

**DDA District Curb Repair Program**

Description: Funding is proposed to repair most critical infrastructure repairs in the DDA District which could include curb, brick pavers, sidewalk, and tree related problems-removal/replacement in the downtown district. Project evaluations, prioritization and ranking will be determined at a later date at a public hearing before the Downtown Development Authority Board of Trustees and Planning Commission. Funding for this project is proposed in the Downtown Development Authority budget in the amount of \$20,000.

**Update Overhead Entrance Sign on Ludington Street & Lincoln Road – Continuation from 2011-12**

Description: Funding is proposed in the budget to update and replace the entrance sign on Ludington Street which extends over the street. Funding for this project has been broken down into two (2) budget cycles in the Downtown Development Authority budget. Proposed funding in the proposed budget is \$15,000. The total funding over two (2) budget cycles is proposed to be \$30,000.

### **Farmer's Market Preservation and Upgrade – Conceptual Design Services**

Description: The Escanaba Farmer's Market has been in operation in downtown Escanaba since the 19th Century. The Farmer's Market functions as a vital economic and social link between families, businesses, farmers and craftspeople of the community. A preliminary design and site plan of an updated Farmer's Market is needed to determine the best physical layout of a year-round use facility. Funding for this project is proposed in the Downtown Development Authority budget in the amount of \$7,000.

### **Downtown District – Corner Street Sign Replacement**

Description: The corner street signs on Ludington Street are not sized properly for the street and traffic speeds as defined by the State of Michigan. Replacement signs will be installed which reflect a legible font and include an identity theme for the downtown. This is Phase 1 of 5. Funding for this project is proposed in the Downtown Development Authority budget in the amount of \$5,000.

### **Property Acquisition, Purchase and Demolition Program**

Description: Funding for property acquisition, clearance/demolition and blight elimination with the intent to reuse, rebuild, repurpose or preserve future uses of the property within the downtown district is being proposed in the Downtown Development Authority budget in the amount of \$50,000.

### **Commercial Weatherization Optimization Program – Program Development – Energy Audits**

Description: A program will be developed which consists of a commercial building inspection, survey and analysis of the energy measures needed to improve efficiency in a commercial building (located within the DDA District) with respect to HVAC, lighting and weatherproofing. Funding for this project is proposed in the Downtown Development Authority budget in the amount of \$3,000.

### **Downtown Building Façade Improvement Program**

Description: Commercial building facades (located within the DDA District) will be upgraded and improved. Through these renovations, the City/DDA hopes to stimulate economic growth and redevelopment and add on the improved visual quality of existing commercial properties. Funding for this project will be paid in part by the State of Michigan Economic Development Authority under a grant (if approved) and through contributions made by property owners in the amount of \$400,000.

### **Downtown District Fix It /Paint It Grant Program**

Description: The program is designed to help non-residential property owners within the Downtown Development Authority District improve their building's exterior appearance. The program will provide grants to property owners that want to complete minor exterior beautification projects such as exterior painting, replacing awning covers, replacing dilapidated fencing, exterior architectural designing and such. Funding for this project is proposed in the Downtown Development Authority budget in the amount of \$4,000.

**Downtown District Business Development – Business Incubator**

Description: Development of a business incubator that offers adaptable space and support services so as to allow a new business entrepreneur the opportunity to allocate resources and time to the development of a product and become established in the market will be undertaken by the Downtown Development Authority. Funding for this project is proposed in the Downtown Development Authority budget in the amount of \$5,000.

**Resurfacing and Curb Repair Citywide – Major Streets and Local Streets**

Description: The City has a responsibility to maintain, resurface and curb streets as they become deteriorated throughout the community. Routine resurfacing and curbing repairs as required. Street evaluation, prioritization, ranking and surface treatment type will be determined at a later date, and a public hearing before the Planning Commission will be conducted prior to June 30, 2012. Major Street Fund: \$225,000. Local Street Fund: \$112,500.

**Budget Schedule.** The budget has been developed with input from the City employees, City Council, City Boards, Commissions, and Committees and the public. This input is invaluable in terms of identifying the needs and desires of the community. The following schedule of reviews/actions has or will take place:

March 30, 2012		Proposed Budget released to the City Council
April 9, 2012	8:00 a.m.	Budget work sessions begin - City Hall
April 10, 2012	8:00 a.m.	Budget work sessions continue - City Hall
April 11, 2012	8:00 a.m.	Budget work sessions continue –City Hall – (If needed)
April 19, 2012	7:00 p.m.	(Regular Council Meeting) The Council will be asked to pass a resolution setting May 3, 2012, as the fourth Public Hearing on the FY2012-13 City Budget
May 3, 2012	7:00 p.m.	(Regular Council Meeting) Public Hearing on FY2012-13 City Budget
May 17, 2012	7:00 p.m.	Public Hearing and adoption of City Budget

While it is my privilege to author this budget message, thanks must be given to the City Council, Department Heads, City employees, City Boards, Commission and Committee Members, and community members who committed themselves to assisting in this budget process. Collectively, as a team, I am confident we will continue to utilize our combined knowledge and experience in meeting the challenges that lay ahead in providing more efficient City services and growing the community economically. As City Manager, I appreciate the Council, community and employee support in providing the City with the necessary resources, flexibility and funding which allows us all to live in a community that we can be proud of.

Respectfully Submitted,



James V. O'Toole  
City Manager