



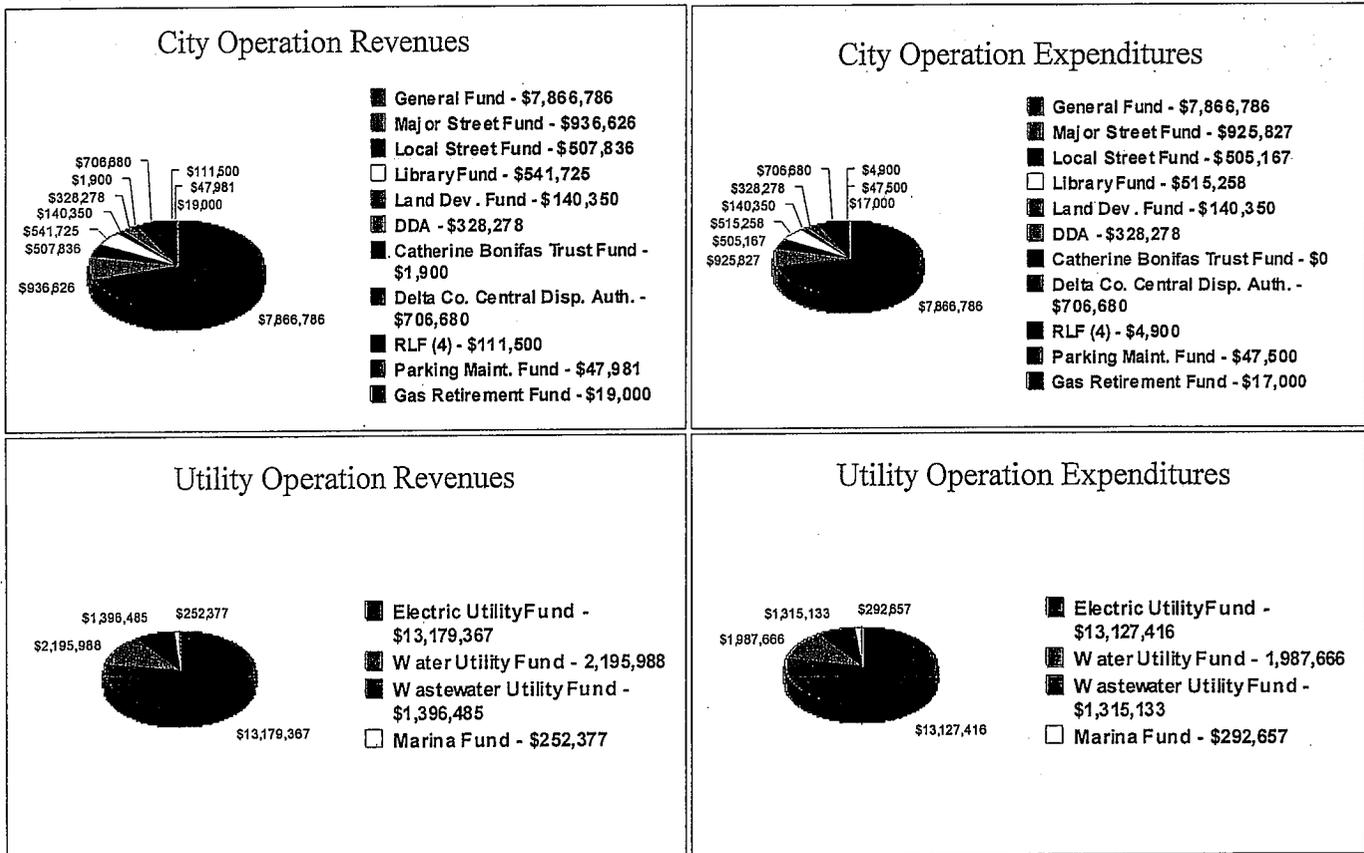
To the Honorable Mayor and City Council
City of Escanaba
Escanaba, Michigan

April 12, 2013

CITY MANAGER'S PROPOSED BUDGET OVERVIEW

Pursuant to the Escanaba City Charter and other relevant state laws, I hereby submit for City Council and community review the proposed FY2013-14 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 during normal hours of operation. An electronic version is also available on the City's web site: www.escanaba.org and on the City of Escanaba's Facebook page at www.facebook.com/pages/city-of-escanaba/330443348794. This document serves as a daily guide for City Administration in receiving and allocating resources in the most effective way for the good of the community.

This proposed budget, with nearly \$28 million in expenditures, reflects our commitment in providing core services to our community. Developed using the best available information and most current revenue projections, the proposed FY2013-14 Budget maintains an acceptable standard of service. City Administration remains proactive in addressing potential revenue shortfalls, and will continue to monitor the actions of the Michigan Legislature on matters that could impact local government funding.



City Millage Rate. No millage increase is proposed in the upcoming FY2013-14 Budget. The current property tax millage rate is 17 Mils, which has been in place since July 1, 1988. The permissible millage rate based on the proposed budget is 19.89 Mils. For homeowners in the City, 41.5% of the total property tax bill is kept by the City of Escanaba to pay for all general fund services provided. The remaining 58.5% of a homeowner's tax bill is remitted to Delta County, the State of Michigan, the Escanaba School District, the Delta Schoolcraft Intermediate School District, the Delta County Sheriff Department, 911 Operations, the Delta Area Transit Authority and the Community Action Agency.

General Fund. The General Fund budget, which supports many of the day-to-day activities of the City, is \$7,866,786 representing an increase of 3.8% from the previous year's budget. At the end of FY2011-12, the General Fund fund balance was \$4,209,345, with a long-term debt obligation of \$2,595,000. At the end of FY2012-13, projections show an estimated fund balance of \$4,414,701, with a long-term debt obligation of \$2,415,000. In the FY2013-14 Budget, a projected fund balance of \$4,402,090, with a long-term debt obligation of \$2,225,000 is being budgeted. 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, the proposed General Fund budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Public Safety Facility Roof Replacement	\$70,000
Royce Park Tennis Court Refurbishing	\$13,000
Esky 150 Celebration- Additional Labor Costs	\$10,000
Public Safety Facility - General Repairs	\$8,000
Public Safety Facility Window Replacement	\$6,600
Bonifas Fine Arts Center Operation Contribution	\$5,000
Esky 150 Celebration - Event Contribution	\$5,000
Delta County Historical Society	\$2,000
Bonifas Fine Arts Center Waterfront Art Festival	\$1,050
Logging Congress (U.P. State Fair)	\$ 750

Major Street Funds. The City of Escanaba maintains 28.22 miles of major streets. Major Street Fund expenditures in the proposed budget, which support the day-to-day activities such as maintenance and snow plowing, is proposed to be \$925,827. At the end of FY2012-13, projections show an estimated fund balance of \$1,701,405. The proposed budget includes local appropriations in the amount of \$43,500 for rebuilding/resurfacing Sheridan Road from approximately 10th Avenue North to 15th Avenue North with an \$187,500 match from the State of Michigan's Small Urban Fund. The condition of Escanaba's major streets remains a major concern for the City Administration and we are continually seeking supplemental funding from the State of Michigan Department of Transportation.

Local Street Funds. The City of Escanaba maintains 55.05 miles of local streets. Local Street Fund expenditures in the proposed budget, which support the day-to-day activities such as maintenance and snow plowing, is proposed to be \$505,167. At the end of FY2012-13, projections show an estimated fund balance of \$621,189. The proposed budget includes appropriations in the amount of \$100,000 for general city-wide repaving of existing local streets. Here again, administration is continually seeking supplemental funding from the State of Michigan Transportation Fund.

Electric Fund. The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$13,127,416 representing a decrease of 3.5% from the previous year's budget. As of June 30, 2012, the overall City Electric Fund net assets exceed \$23 million. The current cash balance is approximately \$10 million.

No electrical rate increases (0%) are proposed in the upcoming FY2013-14 Budget.

Water Fund. The Water Fund budget, which supports the day-to-day activities of the water treatment plant, is \$1,987,666 representing a decrease of .5% from the previous year's budget. As of June 30, 2012, the overall City Water Fund net assets exceed \$6.9 million. The current cash balance is approximately \$600,000.

No water rate increases (0%) are proposed in the upcoming FY2013-14 Budget.

Wastewater Fund. The Wastewater Fund budget, which supports the day-to-day activities of the wastewater treatment plant, is \$1,315,133 presenting an increase of .6% from the previous year's budget. As of June 30, 2012, the overall City Wastewater Fund net assets exceed \$8.2 million. The current cash balance is approximately \$2.7 million.

No wastewater rate increases (0%) are proposed in the upcoming FY2013-14 Budget.

Solid Waste Collection. No garbage/recycling collection rate increases (0%) are proposed in the upcoming FY2013-14 Budget.

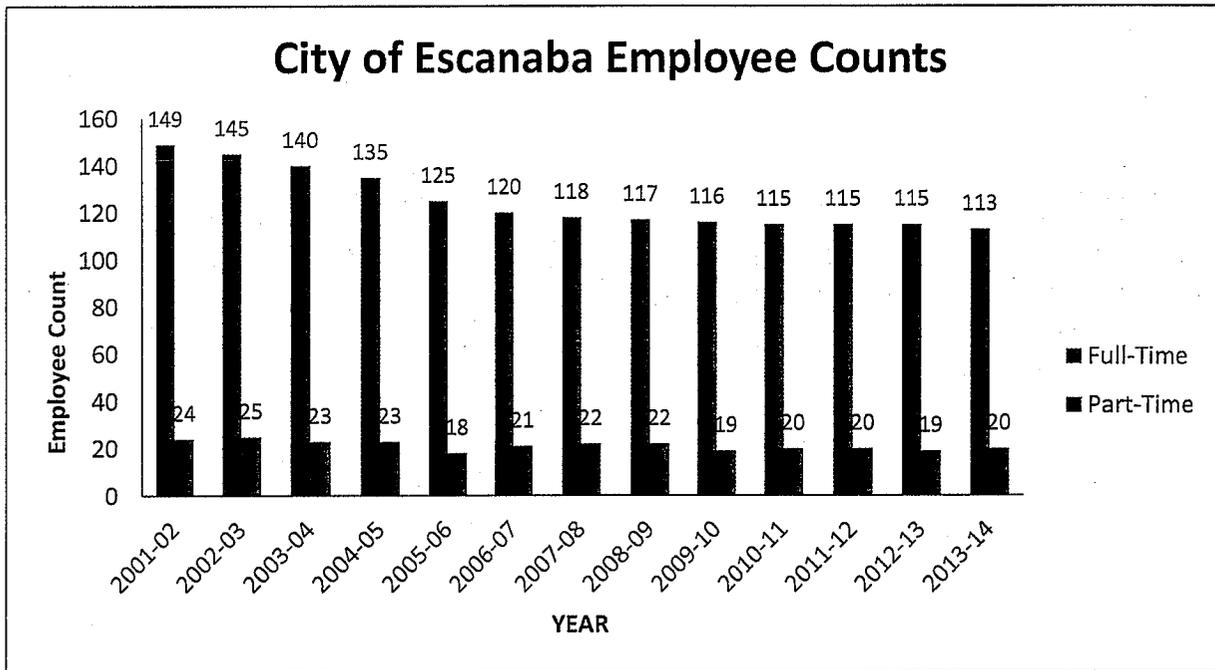
Library Fund. The Library Fund, which supports the day-to-day activities of the Library, is \$515,258. As of June 30, 2013, the Library Fund fund balance is projected to equal \$113,246. The Library continues to play a critical role for our community as the State of Michigan transitions to a knowledge-based 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 FY2013-14 will include creating and implementing a service area strategic plan that will prioritize service standards and strategic partnerships for sustainable funding. In the proposed FY2013-14 budget, \$365,000 is being transferred from the General Fund to the Library Fund. Without this transfer, further reductions in the library would necessitate cuts to "open" hours, staffing levels and basic services in the future.

Personnel and Staffing. Full-time staffing levels in the proposed budget include 113 employees. Part-time staffing levels are at 20 employees. Seasonal employee levels will fluctuate throughout the year depending on the operational needs of the various departments. In the proposed budget, a vacant full-time PSO position at the Department of Public Safety has been eliminated as well as a vacant full-time secretary position. Additionally, a vacant full-time clerical position at City Hall was reduced to a part-time position. Lastly, in the proposed budget, one full-time dispatcher position was added at the Department of Public Safety. Routinely the City Administration examines all job vacancies closely to ensure that our human resources are aligned with our operational needs and our financial means. All collective bargaining units have agreements in place through June 30, 2014. However, contracts with the Teamster's PSO/Dispatch Unit, PSO Command Unit and the IBEW Local 979 Unit have a wage reopener provision for June 30, 2013.

The proposed budget also takes into account a 7.5% health premium increase as a result of a contractual price increase from the Michigan's Conference of Teamsters. In the proposed budget, employee health insurance premium contributions will continue to be 20% of premium costs.

Employees of the City of Escanaba are in one of three retirement systems. Department of Public Safety Officers and Command Staff are enrolled in the Act 345 Defined Benefit Plan. The proposed budget reflects a projected \$103,000 increase in the Public Safety pension costs, resulting from a change to the plan's actuarial assumptions. All other employees are enrolled in one of two plans administered by the Michigan Employees Retirement System (MERS). The first being the MERS Defined Benefit Plan for employees hired before or between July 1, 2005, and July 1, 2008, depending on their departmental assignment. The second being the MERS Defined Contribution Plan which effects new hires. The proposed budget reflects a \$73,000 increase in cost to fund the MERS defined benefit plan. The increase is attributed to the accelerated amortization of the liability for our closed divisions, which was mandated by MERS. The cost to fund the MERS Defined Contribution plan remains at a constant 7% of payroll for those participants.

Another change in the proposed budget is how the City now budgets worker's compensation costs. In an effort to more accurately reflect the true cost of departmental operations, these costs are now included in each departmental budget. The proposed budget reflects an increase in overall worker's compensation expense from medical cost inflation, lower interest earnings and a recent upward trend in the number of claims.



Motor Vehicle/Motorized Equipment Replacement. A total of five motor vehicles or motorized pieces of equipment are scheduled to be replaced in the proposed budget:

Wastewater Sludge Truck	Wastewater Fund	\$145,000
Electric Service Truck	Electric Fund	\$120,000*
Public Safety Patrol Car	Motor Vehicle/Equipment Fund	\$27,000
Lawn Tractor with Mower and Bucket	Motor Vehicle/Equipment Fund	\$20,000
Riding Lawn Mower	Wastewater Fund	\$6,500
Pull Behind Gang Mower	Motor Vehicle/Equipment Fund	\$5,000

*With the purchase of a new Electrical Distribution Line Service Truck, the existing 2005 Ford F550 with single bucket service truck will be used as an emergency back-up service truck and will also be used to complete distribution system maintenance and repairs such a pole painting, Christmas decoration installation and such. The 1995 Ford F700 with bucket that is currently being used as an emergency back-up service truck will be transferred to the Department of Public Works to be used as the tree trimming truck which will replace the recently surplused 1984 Ford F600 with bucket.

Notable Budgeted 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 improvements of the Planning Commission in this year's Capital Improvement Plan/Budget include:

Resurfacing and Curb Repair Sheridan Road – Major Street Fund -\$43,500 (with \$187,500 grant from the State of Michigan Small Urban Fund).

Description: The City has a responsibility to maintain, resurface and curb approximately 28.22 miles of major streets as they become deteriorated throughout the community. Resurfacing and curbing repairs are needed on Sheridan Road. 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, 2013. However, emphasis will be placed on the improvement of Sheridan Road from 10th Avenue North to 15th Avenue North if at all possible.

Resurfacing and Curb Repair Citywide – Local Street Fund \$100,000.

Description: The City has a responsibility to maintain, resurface and curb approximately 54.85 miles of local 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, 2013.

Sidewalk Repair and Maintenance Program – General Fund \$5,000.

Description: Routine repair and maintenance of existing sidewalk is needed City-wide.

Non-Motorized Recreational Trail Upgrades (West Side) - Land Development Fund \$5,000.

Description: Funding to upgrade the west side non-motorized recreational trail system to improve 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 included in the proposed budget.

DDA District Curb Repair Program – DDA Fund \$18,000.

Description: Funding to be allocated to repair the most critically needed sidewalk and curb infrastructure in the DDA District which could include curb, brick pavers, sidewalk, and tree related problems is included in the proposed budget. Project evaluations, prioritization and ranking will be determined at a later date and brought before the people at a public hearing before Downtown Development Authority Board Trustees and Planning Commission.

Downtown Building Façade Improvement Program – Design Services – DDA Fund \$15,000.

Description: The City of Escanaba and Downtown Development Authority will again partner in applying for a \$400,000 MEDC Downtown Commercial Building Façade Grant program to be used to upgrade and improve approximately 8 buildings. Through these renovations, the City/DDA hopes to stimulate economic growth and redevelopment and add an improved visual quality of existing commercial properties.

Downtown District – Corner Street Sign Replacement – DDA Fund \$5,000.

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 Traffic Code. Replacement signs will be installed which reflect a legible font and include an identity theme for the downtown.

DDA Commercial Weatherization Optimization Program – Energy Audits – Phase II – DDA Fund \$3,000.

Description: In an effort to continue with energy improvements, the DDA created a program 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. The program will assist commercial property owners within the DDA District in making energy efficient upgrades to improve building performance.

Downtown District Property Acquisition, Purchase and Demolition Program - DDA Fund \$50,000.

Description: Funding will be set aside for downtown property acquisition, clearance/demolition and blight elimination with the intent to reuse, rebuild, repurpose or preserve future uses of the property.

Power Pole Replacement – Electric Fund \$250,000.

Description: The expected useable life of wooden electrical distribution pole is forty years. Within the electrical distribution system there are approximately 3,500 poles. Many poles are approaching or have exceeded their expected life. Pole inspectors have identified approximately 100 poles to date within our system that need to be replaced. This project will take multiple years to complete.

Street Light Replacement – Electric Fund \$100,000.

Description: There have been great advancements made in LED street lighting over the past few years. These advancements have resulted in better products and more affordable fixtures. Replacement of the existing HID street lights and dusk-to-dawn lights with LED equivalents is planned. Within the electrical distribution system there are approximately 1,550 street lights and 300 dusk-to-dawn lights. This project will take multiple years to complete.

Ludington Park Tennis/Basketball Courts Resurfacing and Construct Sidewalks to the Bathrooms, Pavilion and Courts – \$13,000 General Fund and \$42,000 from the MDNR Recreation Passport Grant Program.

Description: Resurfacing of the four (4) tennis courts and the basketball court in Ludington Park is needed. Additionally, an ADA compliant sidewalk from the parking lot area to the bathroom facility, pavilion and courts should be installed in order that we meet ADA specifications. Lastly, the existing drinking fountain on the bathroom facility must be replaced with a new ADA compliant fixture.

Marina Water Basin Management Plan – Treatment – Phase II – Marina Fund and DDA Fund - \$15,000.

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 were compiled. In 2012, an initial chemical treatment of the basin was completed. Phase II of the project is intended to complete necessary plant surveys and remove the remaining invasive aquatic weeds using the prescribed chemical treatment.

Westside ORV Trail Connector – Escanaba to Hermansville Trail – Hermanaba – Land Development Fund \$5,000.

Description: The City of Escanaba in partnership with the State of Michigan and the Upper Peninsula ORV Trail Development Association proposes to establish an all-terrain vehicle connector trail to the already established Hermanaba Trail located on the west side of Escanaba near the landfill along 19th Avenue North to North 30th Street. The purpose of the project is to expand rising space to making traveling easier and to increase tourism in Escanaba.

Downtown National Register of Historic Places (NRHP) – Certified Local Government Status- DDA Fund \$500.

Description: The Escanaba DDA along with the Escanaba Historical Commission will work towards enrolling downtown Escanaba in the National Register for Historic Places and becoming a certified local government. Under the program the City will be eligible for funding to improve historical treasures within the downtown district by competing annually for grants.

Parking Lot Beautification - 1200 Block of 1st Avenue North- DDA Fund \$5,000.

Description: A DDA controlled parking facility located on the 1200 block of 1st Avenue North (behind Peoples Drug) which contains 40 parking spaces will be refurbished to include new signage and landscaping.

Farmer’s Market/Business Incubator Preservation and Upgrade – Engineering Services – Phase II – DDA Fund \$50,000.

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 along with a business incubator is being created to determine the best physical layout of a year-round use facility. Under Phase II of the project, engineering preparation for the reconstruction of the Farmer’s Market will be completed to include detailed construction drawings, cost estimates, permitting processes and bidding processes.

New Electrical Substation- Electric Fund \$2,500,000.

Description: A new substation will be constructed to replace the substation currently in service at the Power Plant. The substation will be built in the area of the old compost site off of 20th Avenue North. The substation will consist of two main transformers, which will feed up to eight circuits. This project will take approximately two years to complete.

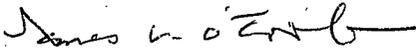
Budget Schedule. The budget has been developed with input from the City employees, City Council, City Boards, Commissions, and Committees and the public. This input is invaluable in terms of identifying the needs and desires of the community. The following schedule of reviews/actions has or will take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

March 29, 2013		Proposed Budget released to the City Council
April 8, 2013	8:00 a.m.	Budget work sessions begin - City Hall
April 9, 2013	8:00 a.m.	Budget work sessions continue - City Hall
April 10, 2013	8:00 a.m.	Budget work sessions continue –City Hall – (If needed)
April 18, 2013	7:00 p.m.	(Regular Council Meeting) The Council will be asked to pass resolution setting May 2, 2013, as the fourth Public Hearing on the FY2013-14 City Budget
May 16, 2013	7:00 p.m.	(Regular Council Meeting) Public Hearing and adoption on FY2013-14 City Budget)

May 23, 2013	8:00 a.m.	(Special Council Meeting) Second reading and adoption of the Tax Levy and Appropriations Ordinance will take place – City Hall.
June 3, 2013	8:00 a.m.	(Special Council Meeting) Second reading and adoption of the Utility Ordinance will take place – City Hall.

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