



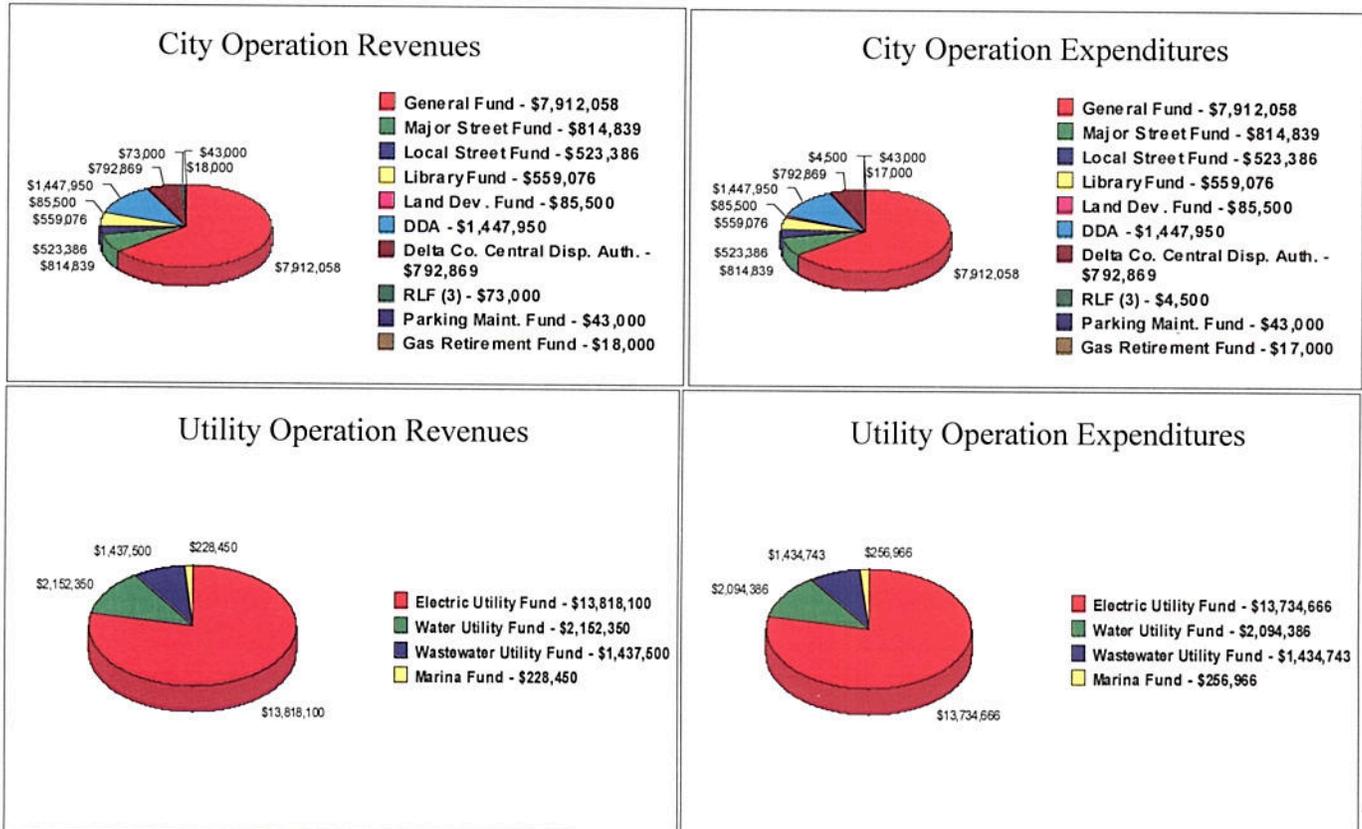
To the Honorable Mayor and City Council
City of Escanaba
Escanaba, Michigan

April 16, 2015

CITY MANAGER'S BUDGET OVERVIEW

Pursuant to the Escanaba City Charter and relevant state laws, I hereby submit for City Council and community review the proposed FY2015-16 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 and on the City of Escanaba's Facebook page. 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 budget, with over \$29.7 million in expenditures, reflects our commitment in providing core services to our community and was developed using the best available information and most current revenue projections.



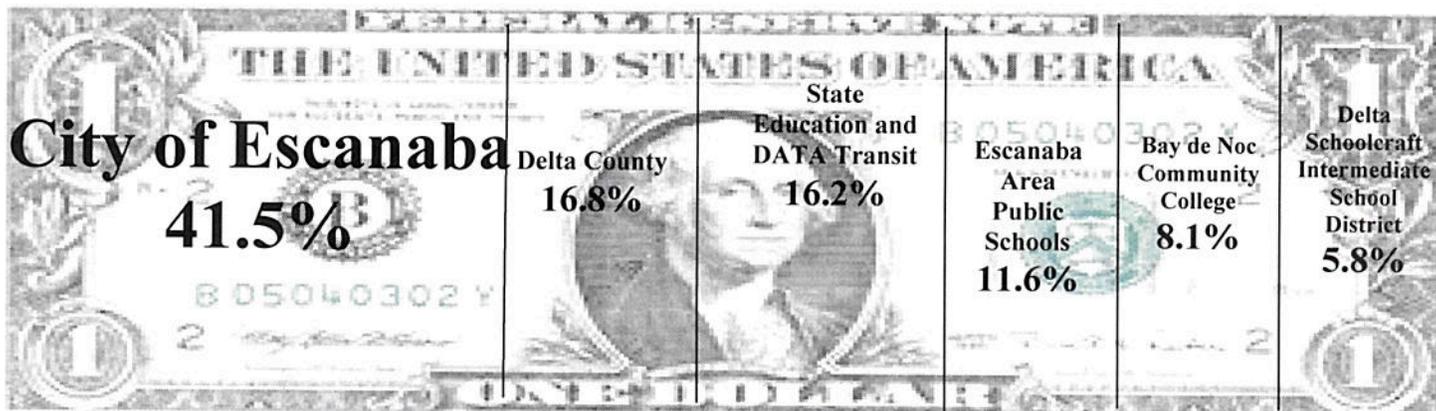
Mission Statement:

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

City Millage Rate/Tax Rate and Tax Roll. The budget is based on a property tax rate of 17 mills, which will not require any tax increase in the upcoming FY2015-16 Budget.

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 Community Action Agency.

WHERE YOUR TAX DOLLAR GOES AS A HOMEOWNER



General Fund. The General Fund budget, which supports many of the day-to-day activities of the City, is \$7,912,058 (including transfers in from other funds), representing an increase of 3.2% from the previous year’s budget. At the end of FY2013-14, the General Fund fund balance was \$3,878,677, with a long-term debt obligation of \$1,250,000. At the end of FY2014-15, projections show an estimated fund balance of \$3,803,044, with a long-term debt obligation of \$1,125,000. In the FY2015-16 Budget, a projected fund balance of \$3,756,310, with a long-term debt obligation of \$1,000,000, is being budgeted.

Of notable interest, the proposed General Fund budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Veteran’s Park Tennis Court Renovation	\$ 12,000
City Council MML Training Funds	\$ 1,200
Webster Ice Skating Shelter Service Door Replacement	\$ 800
Public Safety Department – Bulletproof Vests	\$ 30,000
2015 Community Summer “Rock the Dock” Events	\$ 10,500
Bonifas Fine Arts Center Operation Contribution	\$ 5,000
Bonifas Fine Arts Center Contribution - Waterfront Art Festival	\$ 1,050
New Year’s Eve Fireworks Display	\$ 5,000
4 th of July Fireworks Display (with \$5,000 donated)	\$ 13,000
Delta County Historical Society Contribution	\$ 2,000
Local Street Improvement	\$150,000
Escanaba Public Library (transfer)	\$400,000
Major Street Improvement	\$150,000

Major/Local Street Funds. The City of Escanaba maintains 28.22 miles of major streets. Major Street Fund expenditures, which support the day-to-day activities such as maintenance and snow plowing, are proposed to be \$814,839. At the end of FY2014-15, projections show an estimated fund balance of \$1,837,644. The budget includes appropriations in the amount of \$150,000 for general City-wide repaving of existing major streets.

Additionally, the City of Escanaba maintains 55.05 miles of local streets. Local Street Fund expenditures, which support the day-to-day activities such as maintenance and snow plowing, are proposed to be \$523,386. At the end of FY2014-15, projections show an estimated fund balance of \$874,144. The budget includes appropriations in the amount of \$150,000 for general City-wide repaving of existing local streets.

Each Spring, the City Engineering Department conducts “Pavement Surface Evaluation and Rating (PASER)” inspections of all paved City streets. Using the PASER system, each street is scored a rating of 1 through 10 to evaluate the pavement surface condition. Each street is then entered into a condition category (failed, poor, fair, good and excellent) and is assigned a treatment option. From that list, street projects are prioritized and selected based on surface condition, curbing condition, traffic volume, opinion of cost to repair and funds availability.

Street improvement funding continues to be a major concern. Administration remains proactive in identifying funds to address shortfalls. Administration will continue to monitor the actions of the Michigan Legislature on road funding initiatives, including the end result of Proposal #1, the Michigan Sales Tax Increase for Transportation Amendment to determine how local street funding will be impacted as a result of the referendum.

Electric Fund. The Electric Fund budget, which supports the day-to-day activities of the electrical operation, is \$13,734,666, representing an increase of 2.4% from the previous year’s budget. As of June 30, 2014, the overall City Electric Fund net assets exceed \$22.7 million. The current cash balance is approximately \$11.5 million.

Of notable interest, the Electric Fund budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Street Light Replacement	\$ 100,000
Supervisory Control and Data Acquisition Equipment	\$ 60,000
Substation Improvement – Power Plant	\$ 200,000
Substation Improvement – New Substation (20 th Avenue North)	\$2,500,000
Substation Improvement – West Side Substation	\$ 150,000
Distribution System – Power Pole Replacement	\$ 341,455
Distribution System Upgrade - Capacitors	\$ 40,000
Distribution System Upgrade – Gang Switches	\$ 15,000
Distribution System Upgrade – South M-35 Breezy Point Curve	\$ 80,000
Distribution System Maintenance – System Wide Tree Trimming	\$ 123,347
Equipment Purchase – Hole Hawg Boring Tool	\$ 10,000

An electrical rate increase of five percent (5%) is included in the upcoming FY2015-16 Budget.

Water Fund. The Water Fund budget, which supports the day-to-day activities of the Water Treatment Plant, is \$2,094,386, representing an increase of 5.2% from the previous year’s budget. As of June 30, 2014, the overall City Water Fund net assets exceed \$7.45 million. The current cash balance is approximately \$750,000.

Of notable interest, the Water Fund budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Distribution System – Water Service Line Replacement	\$10,000
Distribution System – Water Service Thawing Services	\$ 3,000
Purchasing of Pipe Boring Equipment	\$30,000
Purchasing of Electric Pallet Jack	\$ 6,000
Purchasing of New Meters	\$60,000
Facility Improvement – Roof Ladders and Fall Protection	\$ 6,000
Facility Improvement – Boiler System Upgrade	\$50,000
Facility Improvement – VFD Influent Pump Replacement	\$18,000
Facility Improvement – Regulators and Ejector Replacement	\$20,000

A water rate increase of three percent (3%) is included in the budget. With this increase, a residential customer using 5,000 gallons of water per month should experience a \$0.76 increase in their monthly bill, beginning July 1, 2015.

Wastewater Fund. The Wastewater Fund budget, which supports the day-to-day activities of the Wastewater Treatment Plant, is \$1,434,743, representing an increase of 3.6% from the previous year's budget. As of June 30, 2014, the overall City Wastewater Fund net assets exceed \$8.45 million. The current cash balance is approximately \$3 million.

Of special interest, the Wastewater Fund budget includes funding for:

<u>Activity</u>	<u>Amount</u>
Sewer Camera Replacement	\$ 60,000
Portable Generator Purchase	\$ 60,000
Sanitary Sewer Line Replace/Reline – Mall Parking Lot Extending from or around 2300 Ludington Street to the 2500 Block of 3 rd Avenue North	\$140,000
Sanitary Sewer Line Replacement – Alley West of South 19 th Street Extending from 8 th Avenue South to 10 th Avenue South	\$105,000
Sanitary Sewer Line Replacement – Alley between 22 nd Avenue South and 23 rd Avenue South from Lakeshore Drive to 23 rd Avenue South Lift Station	\$120,000
Lift Station Maintenance – North 5 th Street Lift Station Improvements	\$ 20,000
Lift Station Maintenance – Generator Switch Gear Replacement	\$ 20,000
Facility Improvement – Headwork's Building Roof	\$ 56,000
Facility Improvement – Digester Covers #1 and #2	\$ 20,000

A wastewater rate increase of three percent (3%) is included in the budget. With this increase, a residential customer using 5,000 gallons of wastewater per month should experience a \$ 0.58 increase in their monthly bill, beginning July 1, 2015.

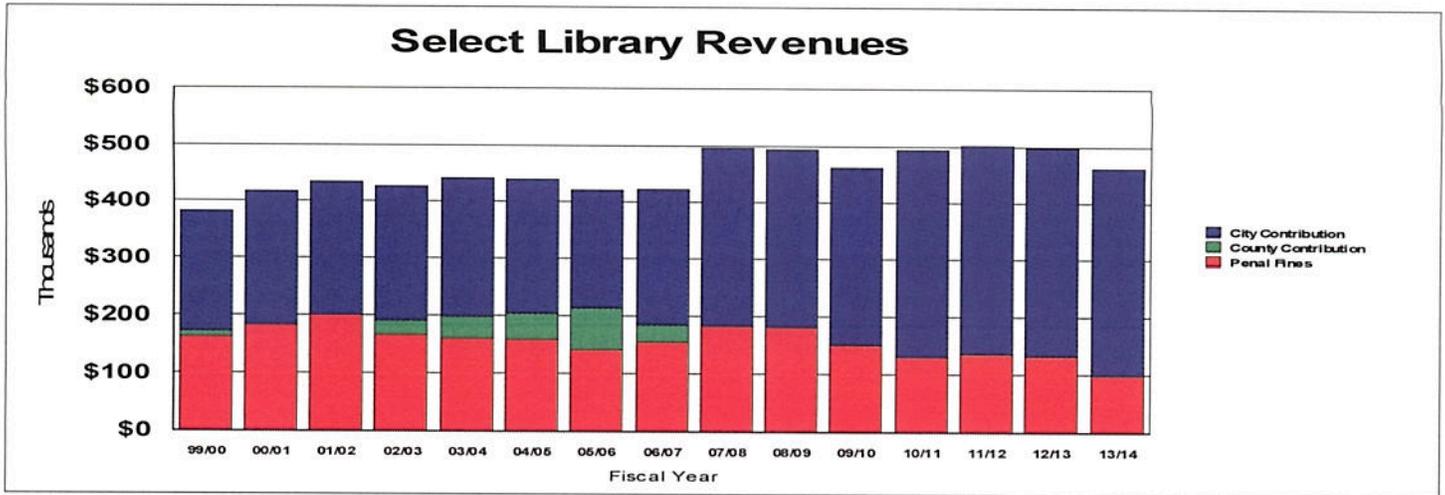
Solid Waste Collection. A garbage/recycling collection rate increase of twenty-five cents (\$.25) per month is proposed in the upcoming FY2015-16 Budget. This increase is directly attributed to an increase in tipping fees at the Delta Solid Waste Management Authority Landfill.

Library Fund.

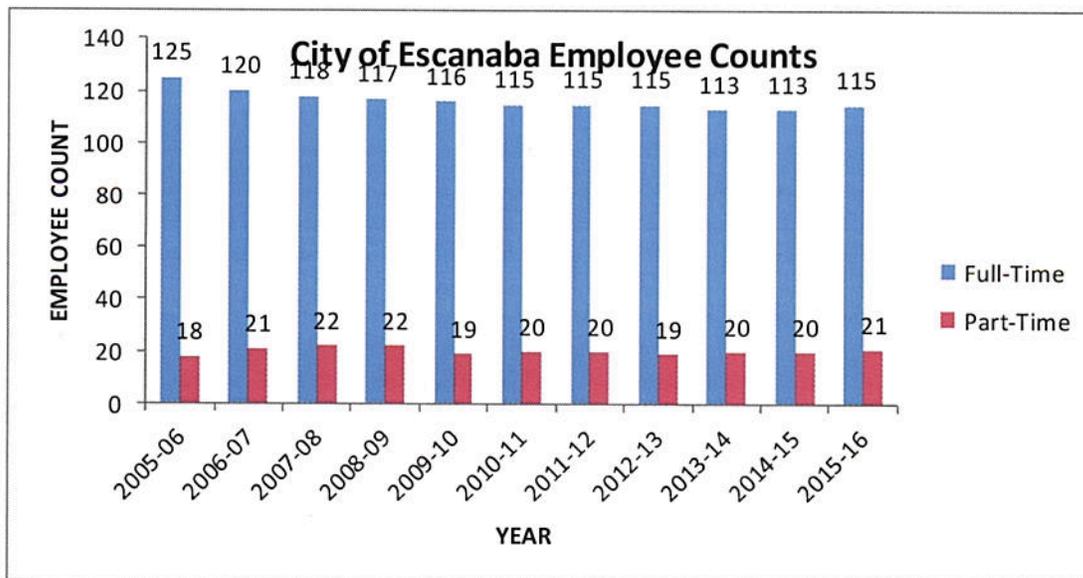
The Library Fund, which supports the day-to-day activities of the Library, is \$559,076. As of June 30, 2015, the Library Fund fund balance is projected to equal \$94,712. The Escanaba Public Library is a community hub, offering essential early literacy programs for children and families, cultural enrichment and lifelong learning opportunities for all and the resources and expertise our citizens need to stay current in a digital world.

For FY2015-16, the library will continue progress on implementing the partnerships and initiatives outlined in its strategic plan, with renewed emphasis on identifying alternative means of sustainable funding.

The City's General Fund appropriation for FY2015-16 is proposed at \$400,000. This allocation, in addition to \$23,826 from the Library's Fund balance, will allow the reinstatement of the library's budget for new materials, which was reduced by 35% in FY2014-15. General fund support continues to be the primary funding source for the Escanaba Public Library.



Personnel and Staffing. Full-time staffing levels in the budget include 115 employees. Part-time staffing levels are at 21 employees. Seasonal employee levels will fluctuate throughout the year, depending on the operational needs of the various departments. Routinely, City Administration examines all job vacancies closely to ensure that our human resources are aligned with our operational needs and our financial means. All five (5) collective bargaining units have agreements in place through June 30, 2017. A new part-time secretary position is proposed for the Water and Wastewater Department(s). Additionally, one (1) new full-time Public Safety Dispatching position is included in the proposed budget. Also one (1) full-time Electric Department Lineman position was added.



Health Insurance. The proposed budget takes into account a health premium increase of 3.7% - 4.7%, depending on coverage, as a result of a contractual price increase from the Michigan Conference of Teamsters. In the budget, employee health insurance premium contributions will continue to be 20% of premium costs.

Pension Obligations. Employees of the City of Escanaba are in one of four retirement systems. Department of Public Safety Officers, Command Staff, Chief(s) and Captain(s) hired before July 1, 2014, are enrolled in the Act 345 Defined Benefit Plan. Officers, Command Staff, Chief(s) and Captain(s) hired on or after July 1, 2014, are enrolled in a 457 Defined Contribution Retirement Plan. In 2005, the City began transitioning its non-Public Safety staff to a 401(a) Defined Contribution Retirement Plan. The transition was complete in 2007, and all such employees now participate in that plan. Employees hired before the transition remain in the MERS Defined Benefit Retirement Plan.

The City does not carry any retiree health care benefit obligations.

Motor Vehicle/Motorized Equipment. The proposed budget includes the purchase or upgrade of the following pieces of equipment:

<u>Activity</u>	<u>Amount</u>
Department of Public Safety – Patrol Car <small>(M.V.F.)</small>	\$ 30,000
Department of Public Works – Backhoe <small>(M.V.F.)</small>	\$180,000
Department of Public Works – Used Semi-Tractor 5 th Wheel Trailer <small>(M.F.V.)</small>	\$ 30,000
Electric Department – 1 Ton Pick Up Truck <small>(E.F.)</small>	\$ 35,000
Wastewater Department – Retrofit Sewage Truck <small>(W.W.F.)</small>	\$150,000

Other Notable Recommended Improvements

Annually, the Escanaba Planning Commission is required by State law to prepare a recommended Capital Improvement Plan (included with budget) 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 in this year’s Capital Improvement Plan/Budget include:

DDA District Curb Repair Program - Funding to be allocated to repair most critical infrastructure repairs in the DDA District which could include street resurfacing, curb, brick pavers, sidewalk, and tree related problems-removal/replacement. 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. \$25,000

Downtown Building Façade Improvement Program – Rehabilitation - 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 improved visual quality of existing commercial properties. \$450,000

Downtown Building Façade Improvement Program- Design Services – The DDA budget proposes to retain professional services for design development which will preserve and restore historic structures and materials of commercial building facades located within the Downtown Development District. \$25,000

Downtown Property Acquisition, Purchase and Demolition Program - Funding will be set aside for opportunity property acquisition, demolition and blight elimination with the intent to reuse, rebuild, repurpose or preserve future uses of the property. Additionally, funding is being set aside for property acquisition, demolition and blight elimination with the intent to reuse to accommodate the possible relocation of the DDA Market Place project. \$205,000

Parking Lot Improvements – All DDA Parking Lots - The DDA controlled parking facilities located at 100 block of 1st Avenue South, 1100 block of 1st Avenue North, North 14th Street and 1st Avenue North, South 10th Street and 1st Avenue South, North 9th Street and 1st Avenue North, South 8th Street and 1st Avenue South, 1st Avenue South and South 7th Street, 700 block 1st Avenue North and 600 block and 1st Avenue North will have new themed signage and general maintenance and restriping of parking surfaces. Signs for Ludington Street directing public to the off Ludington Street parking area will also be included. \$40,000

Market Place Construction - The Escanaba’s 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 crafts people of the community. A new Market Place is being proposed and will be constructed either at the current site of the Farmer’s Market on North 9th Street and 1st Avenue North or on Ludington Street and South 15th Street. \$900,000

DDA Center Court Facility and Grounds Improvement - Improvements to the existing building and grounds to restore water damage will take place. \$45,000

Marina Sidewalk Replacement - Replacement sidewalk of approximately 430 feet by 8 feet wide must be installed at the Marina west seawall between docks one and two due to the settling and cracking of the existing sidewalk. \$20,000

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 27, 2015		Proposed Budget released to the City Council and to the public
April 13, 2015	8:00 a.m.	Budget work sessions begin - City Hall
April 14, 2015	8:00 a.m.	Budget work sessions continue - City Hall
April 15, 2015	8:00 a.m.	Budget work sessions continue –City Hall – (If needed)
May 7, 2015	7:00 p.m.	(Regular Council Meeting) The Council will be asked to pass resolution setting May 21, 2015, as the fourth Public Hearing on the FY2015-16 City Budget – City Hall
May 21, 2015	7:00 p.m.	(Regular Council Meeting) Public Hearing and adoption on the FY2015-16 City Budget – City Hall
May 28, 2015	8:00 a.m.	(Special Council Meeting) Second reading and adoption of the Tax Levy and Appropriations Ordinance will take place – City Hall
June 1, 2015	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 remain confident that 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