

April 19, 2016

The Honorable Gary Nelund, Mayor
 Norton Shores City Council Members
 City of Norton Shores
 4814 Henry Street
 Norton Shores, MI 49441

Dear Honorable Mayor and City Council Members:

Introduction

As the economy improves, I am pleased to present the proposed Fiscal Year 2017 Budget.

Michigan’s economy displays growth for the third straight year and the unemployment rate is declining in as many years as well. The State is forecast to have modest but sustainable growth for the remainder of 2016 with strong auto sales, improving furniture market and a steady housing market. The West Michigan economy is equally strong. The unemployment rate continues to decline in Muskegon, Ottawa and Kent counties. The rate in Muskegon County is currently at 4.2% which shows vast improvement when compared to 9% in 2014.

Fiscal year 2017 will mark the third consecutive year in eight that overall property value will increase. Last year the increase was 2% and this year it will be 4.55%. However, this is tempered by very low inflation. Pursuant to the Proposal A tax cap measure, which caps taxable value at the rate of inflation or 5% whichever is less, taxable values will rise a scant .3%. Therefore, revenue from existing property is limited. Fortunately, new housing starts continue at a steady pace. As in the previous three years, new home starts should hit a total of 50 this year. Also, industrial expansions continue.

Looking forward to next fiscal year, services will be maintained at present levels. Also, the property tax millage is proposed to continue at its current rate of 10.95.

Revenues and Millage Rate

General Fund revenues are anticipated to increase \$309,078 for Fiscal Year 2017. State shared revenue is estimated to increase \$95,539. The mix of revenues in the General Fund remain similar to the 2016 budget with the most significant ones being property taxes at 45%, State revenue sharing at 22% and charges for services at 21%. Other revenue includes fees, licenses and permits, investment income and refunds, fines and federal and state grants.

Administration/City Clerk (231) 798-4391	Assessing Division (231) 799-6806	Building Division (231) 799-6801	Finance/Treasurer (231) 799-6805	Fire Prevention (231) 799-6809	Fire Department (231) 798-2255
Parks/Recreation (231) 799-6802	Planning/Zoning (231) 799-6800	Police Department (231) 733-2691	Public Works (231) 799-6803	Streets Division (231) 798-2156	Water/Sewer (231) 799-6804

Constitutional State shared revenues are predicted to increase by 3.9% based on Michigan State Treasury Department estimates. In addition, State revenue sharing through the City, Village and Township Revenue Sharing Program (CVTRS), formerly EVIP, is estimated at \$34,198. With the phase-out of the Personal Property Tax (PPT) and supplement of the Essential Services Assessment (ESA) tax revenue from personal property is estimated be status quo.

Again, it is proposed that the City’s millage rate be maintained at the current 10.95 level. General fund and Capital Improvement fund limits remain at thresholds established by City Charter. The breakdown of the proposed overall millage rate is as follows:

FUND	MILLAGE RATE Fiscal Year 2017
General	5.00
Capital Improvement	2.00
Solid Waste	1.10
Street Improvement	1.50
Public Safety	<u>1.35</u>
TOTAL	10.95

Department Highlights

City Administrator’s Office, Administrative Services Department, and Finance Department

A PlacePlan is currently being developed for the Seminole Road corridor between Henry Street and Seaway Drive utilizing a professional consulting firm. Such a plan has been years in the making and comes at an opportune time. The corridor is experiencing both growth with the expansion of Tanglewood Park and development of the Folkert Community Hub and challenges such as the continuing vacancy of the former Rite Aid and Kmart retail buildings as well as the nearby demolition of the Comerica Bank building. The study should be complete by this summer and the real work will begin in deciding how to best implement the recommendations and maximize economic development within the corridor.

The Administrative Services Department continues to assist other departments in recruitment and selection of key personnel. Within the past two months eight vacant positions have been filled. With City Clerk Lynne Fuller announcing her retirement, effective in October, that will be the next important position to fill. Further, the Department is working on upcoming collective bargaining with the full-time Firefighters as their contract expires at the end of this fiscal year.

Managing unfunded liabilities will continue to be a priority in the Fiscal Year 2017 Budget. For the third year in a row staff will propose additional funding above and beyond the Actuarially Required Contribution (ARC). This will be discussed later in the budget message.

Economic Development

As stated previously, the economy continues to maintain its positive pace. The historically strong industrial sector has seen at least two expansions this year representing more than \$765,000 in investment, retention of 37 jobs and projected creation of 15 - 22 additional jobs. While the number of applications received for tax abatements has declined this year, it is likely due to the elimination of the PPT which makes abatement requests for personal property unnecessary. A reliable indicator of the strength in manufacturing is apparent from results of the recent employment survey conducted by the City. As you recall, our manufacturers granted abatements in the last five years are surveyed annually. Of the 18 manufacturers surveyed 11 increased employment, five stayed the same and only two declined in employment. The net increase in new full time jobs since December 2014 is 255.

Residential construction remains consistently strong as well. The current fiscal year has seen 39 new home starts through March. That is five more home starts than last year to date. Also, this year the City sold an 8-acre parcel on Porter Road which will be developed into approximately 14 new home sites. The developer has 18 months to begin site development or the property reverts back to City ownership.

Retail and commercial growth is positive. Comerica Bank built a new facility on Norton Avenue. As mentioned previously, the former bank building is being demolished and will be a prime location for a new development. The Harvey Street corridor is also seeing new activity. A two-unit retail structure has been approved for an outlot at Lakeshore Marketplace and another site plan just received approval for a three-unit retail structure at the former Johnny Carino's site at the Lakes Crossings. It will house a proposed sandwich shop and, perhaps, another restaurant.

Overall, new construction is down from previous post-recession years. However, it should be noted that annual totals can fluctuate significantly depending on whether or not large multi-million dollar projects are being constructed. Through March, total construction value was \$17 million. This is a decrease over the previous year to date by approximately \$6.8 million.

Tax Increment Finance Authority

The Tax Increment Finance Authority (TIFA) Plan expires December 31, 2016. However, as discussed at the November 2015 work session staff is recommending that the plan be renewed for 10 years and revised to provide for street improvements, sidewalk construction, LED lighting conversion and other projects. As noted at the work session, staff anticipates that the entire tax capture will not be required to fund these projects and it is anticipated that a portion of the funds will be passed through to the various taxing jurisdictions. For fiscal years 2016 and 2017 projects within the district include construction of sidewalk along Harvey Street from Sternberg Road to Mount Garfield Road and resurfacing Mount Garfield Road between Grand Haven Road and US-31.

Parks and Recreation Division

During fiscal years 2015 and 2016, several enhancements were made to Ross Park including replacement of the irrigation system, installation of ball field lighting and, currently, construction of base line fencing. These improvements have had a very positive effect on our softball recreation programs with record participation and the park is ready to host additional upcoming tournaments.

The 2016 budget also supported improvements to Black Lake Park that included the continuation of the trail system and addition of waterfront observation decks that will be completed this spring. With the current master plan underway for the Hines Property, which will be added to the park, the Fiscal Year 2017 budget provides for a potential grant match for continued improvements to Black Lake Park. These improvements will likely include expanded trails and, potentially, a kayak launch.

Police Department

Chief Jon Gale and his staff should be congratulated for not only receiving re-accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA) but for earning an unprecedented score of 100% from the on-site assessment team. To continue to meet high objective standards, Chief Gale has recommended adding contract positions for both file maintenance and evidence technician responsibilities. It is estimated that each position would provide up to ten hours of service per week. This will lessen administrative staff and detectives' time spent on house-keeping issues and allow for them to concentrate on crime prevention and solving cases. The additional annual cost of the positions is \$20,400.

Fire Department

The reorganization of the Fire Prevention Bureau and Building Division is complete. The additional staffing and the new roles are paying dividends in terms of service delivery related to the handling of property maintenance complaints as well as managing the Building Division workload.

Chief Gagnon is also recommending some equipment replacement. Notable items include replacement of wildland fire gear as well as dive team equipment including the side scan sonar, dry suits, and buoyancy control devices. Items and their related costs are highlighted later in this message as well as in the Capital Improvement Program detail. It should be noted that staff will apply for a grant through the County of Muskegon to assist in the funding of the dive equipment.

Public Works Department

Streets and Drainage Division

The City continues to utilize various funding sources to improve the City's streets system. Following is a list of road reconstruction and resurfacing projects by fund:

Municipal Road Fund

- Brookwood Drive HIR & Overlay, Rood Road east to cul-de-sac
- Davis Road HIR & Overlay, Brookwood Drive to Hile Road
- Cherry Avenue HIR & Overlay, Thompson Road to east end
- Grand Avenue HIR & Overlay, Grand Haven Road to East Byron Road
- Hendrick Road/ Stanwood Street Reconstruction, Henry Street to Churchill Drive
- Lakeshore Boulevard Mill & Overlay, Green Street to cul-de-sac
- Norton Hills Road Mill & Overlay, Applewood Lane to Applewood Lane
- Norton Hills Reconstruction, Norcrest Drive to Applewood Lane
- Oak Hollow Court HIR & Overlay, Treeline Drive to cul-de-sac

TIFA Fund

- Mt Garfield Road Mill & Overlay, Grand Haven Road to US-31

Capital Improvement Fund

- Lake Harbor Bridge Joint Replacement and Deck Sealing
- Norton Avenue Mill & Overlay, Seaway Drive to Seminole Road
- Summit Avenue Mill & Overlay, Bailey Street to Stratford Street
- Summit Avenue HIR & Overlay, Getty Street to Bailey Street

MDOT (TIP) Fund

- Harvey Street Reconstruction, Ellis Road to Hile Road
- Merrill S. Bailey (Henry Street) Bridge Joint Replacement and Deck Sealing
- Sternberg/Porter/Martin Roads Intersection Improvements

Re-graveling (Capital Improvement Fund)

- Columbia Avenue
- Dee Road
- Fairfield Street
- Sheffield Street

In addition to the streets projects, the Capital Improvement Fund includes appropriations to repair existing sidewalks as well as construct new sidewalk along Henry Street between Randall Road and Forest Park Road.

Water and Sewer Division

Fiscal year 2017 will mark the eighth year of the 15-year water replacement program. Over time meter parts lose their tolerances thus reducing accuracy and subsequent revenue

due to unaccounted water use. The proposed budget provides an appropriation to replace approximately 700 domestic meters this year. Other equipment improvements proposed in the budget include replacement of meter readers, laptops, a printer and hydrant flags.

Building and Grounds Division - Cemetery

Several long overdue improvements are planned for the Norton Cemetery. These include replacement of the perimeter fencing as well as signage. Also, staff is proposing to purchase a small excavator to be used exclusively at the cemetery. Currently the cemetery coordinates with the Water and Sewer Division to use their excavator for burials. However, the cemetery is approaching capacity and this piece of equipment is too large to fit between the plots and monuments without the risk of disrupting sites or causing damage. The Perpetual Care Fund, which has a balance of \$650,000, will be utilized to fund these improvements.

Solid Waste Division

In fiscal year 2015 the Solid Waste Fund ended in a deficit position. This was anticipated following the millage rate reduction in 2007. The current budget raised the millage .40 mills which solved the deficit. This was done after expenses were reduced as much as possible. The Fiscal Year 2017 proposed budget maintains the current rate at 1.10 mills. Services provided through the Solid Waste Fund millage include leaf disposal, street sweeping and refuse collection.

Planning and Zoning Division

With the improved economy comes additional new construction activity. This activity was highlighted in the Economic Development section of the budget message. In addition, the Planning Division will coordinate the Seminole Road corridor PlacePlan including its future implementation.

The most current project being managed by this division is the update to the City's Park and Recreation Plan. This plan is required by the Michigan Department of Natural Resources (MDNR) to maintain the City's eligibility for future State grants. With the expansion of Black Lake Park it is likely that a grant application will be made in fiscal year 2017.

Equipment Replacement Program

The proposed Fiscal Year 2017 budget recommends the replacement of several pieces of mid to large sized equipment through the Equipment Revolving Fund. The most notable one includes a water/sewer crane truck. Other purchases include pickup trucks for the Water and Sewer Division, police patrol and supervisor vehicles, replacement of patrol vehicle in-car video systems and a commercial mower for the Parks and Recreation Division.

It should be noted that Police Chief Gale recommends replacing the current Ford Interceptor patrol vehicles with the same Ford utility vehicle now used by the supervisors and in the traffic unit. Both models are based on the same chassis with the same engine, drive

train, wheels, brakes, and similar gas mileage. However, the sedan has very little room for necessary equipment. The net additional equipment and vehicle cost for a utility vehicle above a sedan is approximately \$2,768.

Lastly, as a reminder, all equipment recommended for replacement through the Equipment Revolving Fund is fully depreciated and funds have been accumulated for their replacement through the charging of annual rental rates to operating budgets.

Capital Improvement Program

The proposed Fiscal Year 2017 Budget contains a complete listing of proposed projects. However several notable projects are outlined below:

Police Department

- Mobile Vision System \$ 26,000
- Automatic Electronic Defibrillator Replacement \$ 5,000
- Speed Alert/Message Signs – 2 \$ 13,000
- Lunch Room Improvements \$ 6,000
- Ceiling Tile Replacement \$ 15,000

Fire Department

- Wildland Gear Replacement \$ 25,000
- Public Safety Training Center Props \$ 13,000
- Dive Team Equipment Replacement (grant)
 - Side Scan Sonar Replacement \$ 42,000
 - Dry Suit Replacement – 10 \$ 25,000
 - Buoyancy Control Device Replacement – 10 \$ 7,000

Parks & Recreation Division

- Ross Park In-Field Conditioner \$ 5,000
- Black Lake Park Improvements \$ 25,000
- Parks & Recreation Garage Roof Replacement \$ 13,500

Public Works Department

- Transfer to Major Street Fund \$ 370,097
- Street Resurfacing \$ 165,000
- Sidewalk Repair & Construction \$ 146,000
- Revitalization of Gravel Roads \$ 52,604
- Enclosing of Padelt/York Streets Drain \$ 62,500
- Drain Restoration \$ 60,000
- City Hall Carpet \$ 16,000

- Cemetery Improvements (Perpetual Care Fund)
 - Fencing \$ 49,910
 - Signage \$ 2,500
 - Software Program \$ 4,790
 - Excavator \$ 40,000

Staff Services

- Copy Machine Replacement – 4 \$ 24,000
- Office Work Station Replacement – Finance \$ 8,550
- Office Work Station Replacement – Administration \$ 4,000
- Voting Machine Replacement – 15 (grant) \$ 15,000

Final Notes

The proposed Fiscal Year 2017 General Fund Budget is a balanced budget. It proposes to use \$250,000 in fund reserves to increase funding toward the pension system. Furthermore, an additional \$250,000 from non-general funds will also be used toward the pension system. This will provide a total of \$500,000 in funding above the minimum required payment, or ARC. The Fiscal Year 2017 General Fund Budget leaves a projected 15% fund balance which is within generally accepted accounting practices.

In closing, I would like to thank the Mayor and City Council for their continued direction and support during the budget process. I would also like to thank the executive staff including Public Works Director Jerry Bartoszek, Administrative Services Director Anthony Chandler, Finance Director Mike Huston, Fire Chief Robert Gagnon, and Police Chief Jon Gale for their thoughtful preparation of department budget recommendations.

I look forward to reviewing the proposed Fiscal Year 2017 budget with the City Council during the April 26, 2016 work session. In the meantime, please contact me with any comments or questions you may have.

Respectfully submitted,



Mark C. Meyers
City Administrator

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