

City Council Work Session Minutes
April 6, 2020
By Remote Electronic Participation

CALL TO ORDER

Mayor Filkins opened the meeting at approximately 4:25 pm.

ROLL CALL

Present: Council Members: Elenbaas, Schippers, King, Engels, Mayor Filkins
Absent: None

Staff Present: Peccia, Roberts, Dietlin, Wallace, Ottjepka, Homier, Wasson

APPROVAL OF AGENDA

Motion was made by King and supported by Elenbaas to approve the agenda as presented.

Motion unanimously approved.

PUBLIC COMMENTS

There were no public comments.

DISCUSSION AND REVIEW OF THE DRAFT FISCAL YEAR 2021 ANNUAL OPERATING BUDGET

City Manager Peccia noted we are in an unprecedented time with respect to the global pandemic. He noted there is a lot of unknown at this time, but we are proud to report that we are coming off a very good year fiscally. He stated the City is in a position to respond and react to changes in any public meeting of the City Council because we do have the authority and ability to amend the budget as deemed necessary.

Peccia stated in preparing the draft Fiscal Year 2021 budget document, we thought it would be best to continue progressing the City and utilizing the funds as best as we can while at the same time acknowledging the uncertainties in the global economy and in the local economy.

Owen Roberts, Director of Finance, summarized the highlights of the draft Fiscal Year 2021 Annual Operating Budget. (see attachment)

Conversation occurred between City Council and City Staff regarding some of the information presented such as the issuance of bonds for street projects, water/sewer rate increases, funding for the new well field, capital spending, and the backup generator in City Hall.

Roberts noted the draft budget is available on the City's website a www.cadillac-mi.net/budget.

ADJOURNMENT

Mayor Filkins adjourned the meeting at 5:35 pm.

Respectfully submitted,

Carla J. Filkins, Mayor

Sandra L. Wasson, City Clerk

DRAFT

FY2021 Budget Discussion Items

April 6, 2020 Work Session

SIGNIFICANT QUESTIONS AND UNKNOWNNS

- How big of an impact will current pandemic have on City revenues?
 - State Shared Revenue (based on statewide sales taxes)
 - Act 51 Major/Local Street Revenues (based on gas taxes/vehicle registrations)
 - Water and Sewer Revenues (residential should be no impact; but 25% of total system revenues provided by 5 largest users)
 - Future impact on Taxable Values?
 - Currently 23% gap (\$54.7 million) between assessed value and taxable value; should provide some short-term protection against potential value losses.
 - No impact for FY21 as values were set as of 12/31/19.

- How big of an impact will current pandemic have on City costs?
 - Additional supplies (PPE, etc.)
 - Will we require any outside agencies to assist? (water/sewer crews, etc.)
 - Gas prices help
 - Impact on contribution costs for retirement; value of system assets on 6/30/20 will have significant impact on next several years of required contributions; impact on funded status.

CURRENT PROPOSED BUDGET HIGHLIGHTS

GENERAL FUND

- **Revenue Highlights**
 - Property Taxes
 - 4% Increase in Taxable Value
 - Headlee Rollback from 13.9166 mills to 13.7774 mills; due to uncappings that result from more active real estate market
 - Total levy up about \$100,000; budgeted for \$70,000 more than anticipated FY20 revenue

 - State Shared Revenue – budget includes \$15,000 in additional revenue over what should be received in FY2020. Total revenue \$1,120,000.
 - What will happen to this? 10-30% loss? \$112,000-\$336,000 revenue hit
 - But – how fast will economy recover and sales tax receipts go back up?

 - Fire Protection – contract with Clam Lake Township ends December 31, 2020.

 - Solid Waste Contracts – final rates will be finalized when March CPI figures are released; anticipating small increase of about \$0.25 per month, or \$3.00 per year.

- **Expenditure Highlights**
 - Personnel - Salaries/Benefits account for \$4.7 million (65.5%) of FY2021 budget
 - No additional staff/adding of people; some reallocation of staffing accounts for most of the departmental cost increases.
 - COLA of 2.5% (Unions per CBA, nonunion estimate)

 - Capital – Proposed \$157,000 in capital investment

Backup Generator	\$50,000	<i>Can be delayed</i>
Staff Car	27,000	<i>Can be delayed</i>
Police Patrol Vehicle	40,000	<i>Essential</i>
Patrol Rifles	15,000	<i>Essential</i>
Lakefront Lighting	10,000	<i>Can be delayed</i>
Shoreline Stabilization	7,500	<i>Can be delayed</i>
Riding Mower	7,500	<i>Essential</i>
	\$157,000	

- Capital is an area that can be approached cautiously; Police patrol vehicle most likely not optional or fleet replacement will fall too far behind; did not replace a PPV in FY2020. Riding mower may be purchased in FY2020 with sign project bids coming in \$10k below appropriation.

WATER AND SEWER FUND

• Revenue Highlights

- User Charges: Based on staff projections (see p. 119-120) and update of projections by Baker Tilly, system will need higher than average rate increases to cover upcoming capital investment needs.
 - Proposed FY2021: 7.5% Water, 5% Sewer; blended increase of 6%; average homeowner bill will increase \$2.76 per month (\$33.12 per year).
 - Rejected for 40-year financing from USDA because rates were too low.
 - Applying for Drinking Water Revolving Fund (DWRP) financing; do not qualify for disadvantaged community status because of low rates; 20-year financing is only option; shorter amortization causes need for additional rate increases.
- LMSA revenue will increase at the same rate as City sewer rates.

• Expense Highlights

- No additional staff/adding of people; 2.5% COLA per CBA contract; same estimate for nonunion
- Overall expense increase of \$40,630 – just 0.9%.
- Interest Expense and Depreciation will increase significantly when loan for well field project is closed. 5-year projections (see p. 119-120) and Baker Tilly study results reflect need to resolve upcoming cash flow issues.

• Capital Investments

- Well field – up to \$10 million
- Other infrastructure - \$393,500
- Equipment - \$530,500
- Vehicles - \$28,000
- Other - \$85,000

MAJOR AND LOCAL STREET HIGHLIGHTS

• Revenue Highlights

- Act 51 Revenue – Based on existing projection data, original projections included an increase of about \$50,000 combined- \$40,000 Major Street and \$10,000 Local Street.

- Plan to issue \$3.5 million capital improvement bonds to fund significant street construction in next three (3) years.
 - Significant work needs to be done to watch for Act 51 revenue projection updates; additionally, prior to finalizing the issuance of the street bonds an analysis will be done to insure that updated projections in revenue will provide sufficient funds to comfortably pay debt service on the bonds.
- **Expenditure Highlights**
 - Bond funds and reserves on hand will fund reconstruction of approximately one mile of streets, including portions of Chestnut, Ewart and Stimson Streets.
 - Budget appropriates for same high level of street maintenance.

OTHER BUDGETARY HIGHLIGHTS

- Plan to replace the fifth of five frontline plow trucks in the City's fleet.
- Budget includes \$40,000 for road work at Maple Hill Cemetery in addition to \$7,500 for replacing a riding lawn mower for Cemetery maintenance.
- The city has planned for several years to complete a wireless project to connect ancillary buildings to the main City network. This project is reliant on the Merit fiber network as a backbone. This project has been delayed due to the extended time it has taken for Merit to get the fiber network connected. This is anticipated to take place in the coming months.
- The budget plans for the completion of The Trailhead at Cadillac Commons. In order to fully fund the project, an additional \$175,000 in project funds needs to be identified.