



April 16, 2019

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

Honorable Mayor and City Council Members:

I am pleased to present the proposed Fiscal Year 2020 Budget. This is my 15th budget as City Administrator and 24th budget since becoming a member of the budget committee when hired as Administrative Services Director/Assistant to the City Administrator in 1995.

INTRODUCTION

Fiscal Year 2020 marks another year of property value increases. Last year the increase was 5% and this year will be 4.5%. Although this increase is less than last year, it is above the previous two years. Taxable values will rise 2.4%. Again, the Proposal A tax cap measure is a limiting factor. The increase in value is due to both new construction and strong values of existing property. Looking forward to next fiscal year, services will be maintained at present levels. Also, the property tax millage is proposed at its current rate of 10.95 mills.

Revenues and Millage Rate

General Fund revenues are anticipated to increase \$162,161 for Fiscal Year 2020. This includes continuation of the Tax Increment Finance Authority (TIFA) pass-through. State shared revenue is estimated to increase \$109,323. The mix of revenues in the General Fund remain similar to the 2019 budget with the most significant ones being property taxes at 38.27% (3.52% increase), State Revenue sharing at 16.72% (.51% increase) and charges for services at 15.08% (1.31% increase). Other revenue includes fees, licenses and permits, investment income and refunds, fines and Federal and State grants.

Constitutional State shared revenues are predicted to rise 3.2% based on Michigan State Treasury Department estimates. In addition, Statutory Revenue Sharing through the City, Village and Township Revenue Sharing Program (CVTRS) is estimated at \$85,416. With the continued phase out of the Personal Property Tax (PPT) and supplement of the Essential Services Assessment (ESA) tax, revenue from personal property is estimated to increase somewhat.

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

Norton Shores will not discriminate against any individual or group because of race, sex, religion, age, national origin, color, marital status, handicap or political beliefs or other legally protected characteristics.

Again, it is proposed that the City's millage rate be maintained at the current level of 10.95 mills. General Fund and Capital Improvement Fund limits remain at thresholds established by City Charter. The Public Safety levy is .65 mills below its 2 mill limit. The breakdown of the proposed overall millage rate is as follows:

FUND	MILLAGE RATE Fiscal Year 2020
General	5.0
Capital Improvement	2.0
Solid Waste	1.10
Streets Improvement	1.50
Public Safety	1.35
TOTAL	10.95

DEPARTMENT HIGHLIGHTS

Administration, Administrative Services and Finance Departments

Administration has, again, been focused on economic development this year. Efforts to redevelop sites along the Seminole Road Corridor have resulted in an option agreement with a developer to construct an apartment and condominium community in Eastowne of Norton Shores. Staff also continues to work with the owner of the former Kmart site to develop an apartment community with enhanced retail element and medical care facility. The site plan was approved last week. Meetings continue with Michigan Economic Development Corporation (MEDC) and Michigan Department of Environmental Quality (MDEQ) officials regarding grants and other incentives that may assist in the redevelopment in this area.

Administrative Services staff continues to manage human resources and assist with the recruitment and selection of personnel. Also this past fiscal year, with the cooperation of the City's Police Supervisory and Patrol union groups, retiree health insurance has been eliminated for all newly hired employees. There are currently thirty-four employees eligible for the retiree health stipend in lieu of health insurance which will greatly assist in reducing future unfunded OPEB liabilities.

Managing unfunded liabilities will continue to be a focus in the Fiscal Year 2020 proposed budget. For the sixth consecutive year staff is proposing additional funding above the pension Annual Required Contribution (ARC). In addition, staff proposed to increase funding for OPEB (i.e. retiree health insurance). This subject will be highlighted later in this message.

Lastly, the City Council updated the Strategic Plan. Based on new goals, staff will be working on several projects in Fiscal Year 2020 including a communication/marketing plan, a succession plan and a staffing study.

Economic Development

The economy continues to be strong and sustainable. Growth can be seen through recent industrial expansions and companies relocating to the City of Norton Shores. Employment numbers remain high. Our annual employment survey reflects more than 51 new jobs created from 2018 to 2019 among 25 manufacturers. Finding qualified employees continues to be one of the biggest challenges to area employers based on feedback I have received during retention visits.

Retail and commercial growth continues. This past year new businesses including the Lakeshore Cancer Center and AutoZone have been approved. A site plan has been submitted for a Chick-fil-A restaurant as well.

While residential construction is down, several new communities are in the works. During Fiscal Year 2019 thirteen new homes have been constructed which is a post-recession low. A year ago, no new single family developments were proposed. However, site plans for three new developments representing 109 home sites were approved in the past nine months. In addition, two new multi-family housing developments are being planned.

Overall new construction value totaled \$25,130,877 through March 2019. This is \$4,780,609 more than the previous year-to-date which totaled \$20,350,268.

The following is a list of pending economic activity:

RESIDENTIAL

- The Cottages at Mona Kai (Seminole Rd. near Seaway Dr.) – \$10 million investment; 36 single family condos; Redstone Development
- Birch Forrest (Pontaluna Rd. near Black Lake Rd.) – 20 single family homes; Branch Construction
- M Kea II, LLC (Seminole Rd. and Seaway Dr.) – option agreement for Eastowne of Norton Shores sites; 200 multi-story apartment and condominium community; Redstone Development
- Muskegon Associates (Henry St. and Seminole Rd.) – 126 unit multi-family residential community on former Kmart site; RD Management
- Livingstone Development (Harvey St. and Wilson Rd.) – 53 lot single family residential community on Lake Fran; public/private partnership to extend sewer; future growth opportunities; David Bos Homes

OFFICE AND COMMERCIAL

- Lakeshore Cancer Center (Harvey St. near Pontaluna Rd.) – \$6 million investment
- Auto Zone (Harvey St., Lakeshore Marketplace outlot)

- Trinity Health/Mercy (Henry St. and Seminole Rd.) – \$40 million investment; 40,000 sf full spectrum medical facility on former Kmart site
- Chick-fil-A (Harvey St.) – restaurant on former Johnny Carino’s site

INDUSTRIAL

- Smart Vision Lights (Robert Hunter Dr. near Ellis Rd.) – moving from Holton; \$3 million investment; 36,000 sf; 35 jobs
- TGW (E. Mt. Garfield Rd.) – moved to former Wacker Neuson building; \$2.4 million investment
- Renishaw (Grand Haven Rd. near Sternberg Rd.) – moving from Grand Haven; 52,000 sf; 38 jobs
- Blue Water Group (Judson Rd. near Grand Haven Rd.) – lease space; 175,000 sf (Canteen Services of Spring Lake and Pratt and Whitney of Norton Shores are purported tenants)
- Blue Photon Technology (Porter Rd.) – moving from Shelby; 15,000 – 25,000 sf; 8-12 jobs

Tax Increment Financing Authority

There are two projects proposed for the TIFA district in Fiscal Year 2020. These include replacement of pumps at the Grand Haven Road storm sewer lift station and replacement of the DPW Facility pressure washer. In addition, the Fire Department ladder truck replacement in the of amount of \$754,505 will be expensed from the TIFA Fund as opposed to reserved fund balance from the Capital Improvement Fund. It was determined to be an eligible expense based on the TIFA Plan and its intended use predominantly in the TIFA District. Projects remaining to be completed this spring, as part of the current Fiscal Year 2019 budget, include sidewalks in the Norton Industrial Center and along Grand Haven Road from the industrial park to Pontaluna Village.

Further, again the Fiscal Year 2020 budget includes 100% pass-through of funds to the City and other taxing jurisdictions. This pass-through will assist the General Fund in providing additional resources toward pension and retiree health insurance unfunded liabilities. There is sufficient fund balance in the TIFA fund to complete planned projects.

Parks and Recreation Division

The new kayak launch was dedicated last month and a mid-year budget adjustment will fund improving the roadway leading to the grounds. This project ends a multi-year effort to formalize Black Lake Park. It started with the marked trail system, then acquisition of additional lakefront property and now an accessible launch. For fiscal year 2020 park improvements efforts will shift to Ross Park with the proposed plan to demolish the aging beach pavilion and construction of a large overlook deck in its place. A grant application has been submitted to the Michigan Department of National Resources Trust Fund to assist in funding the project.

Police Department

During Fiscal Year 2019 an additional patrol officer position was added after approving an agreement with the Muskegon Health Project and Mona Shores School District to cost share. The additional position provides a student resource officer in the middle school for the first time. The contract for services covers 100% of the cost of the new position. Staffing for Fiscal Year 2020 is status quo.

Fire Department

The current fiscal year saw a mid-year adjustment in the way the Fire Department staffs the Muskegon County Airport. In recent years personnel staffed the airport Fire Station 45 minutes before and 45 minutes after arrival and departure of commercial passenger aircraft. Since October 2018, the flight schedule changed to earlier flights in the morning and later flights at night. The schedule conflicts with shift change and, therefore, availability of personnel precipitating the return to 24/7 coverage. This requires the addition of three full-time firefighter positions which we are currently recruiting. Muskegon County is paying the additional expense of the Airport Rescue and Firefighting Services by contract. Also, the new ladder truck is being built and will be delivered in Fiscal Year 2020. It will pull "double duty" by replacing both the current ladder truck as well as a current engine which will not be replaced.

Building Division

The Building Division is very busy with the current level of economic activity. This year the part-time Construction Inspector position was brought back. More resources are needed to keep up with demands on staff. Ideally, a full-time inspector position would be brought back as well. Staff is reviewing how this can be done financially. As City Council is aware, staff is reviewing the building and trades fee schedule as it has not been evaluated for some time. Some of the current fees do not cover the cost for providing the service.

Public Works Department

Streets and Drainage Division

The City continues to utilize various funding sources to improve the infrastructure system. Following is a list of projects by fund:

LOCAL IMPROVEMENT FUND

- Broadway Avenue, Getty Street to Bailey Street – reconstruction *
- Eastowne - easterly access drive (Special Assessment)

* Also Municipal Road, Water and Water Authority funds

MAJOR STREET FUND

- Forest Park Road, Stryker Drive to Harbor Point Drive – resurfacing
- Grand Haven Road, Nina Lane, Pontaluna Road, Wellesley Drive, Winslow Court – drainage improvements
- Lake Harbor Road Bridge – heavy maintenance
- Lake Harbor Road, Henry Street to Ridgeview Drive – resurfacing
- Manitou Blvd, Reneer Ave, Summit Avenue – storm sewer lining
- Paul Court, Ellis Road to cul-de-sac – resurfacing

MUNICIPAL ROAD FUND

- 1st Avenue, Hoyt to end – resurfacing
- 2nd Avenue, Hoyt to end – resurfacing
- 9th Street, Eric to Norton – resurfacing
- Donna Avenue, Dorothy to Zuder – resurfacing
- Dorothy Street, Hile to Donna – resurfacing
- E. Byron Road, Grand Haven east to cul-de-sac – resurfacing
- Eric Street, Park to Thrush – resurfacing
- Eugene Avenue, Henry to Susan – resurfacing
- Gay Street, Neece to Porter – resurfacing
- Getz Road, Carol to Rood – resurfacing
- Lakeshore Blvd/Baker Street, Hoyt to Lakeview – resurfacing
- Lakeview Avenue, Lakeshore to end – resurfacing
- Marshall Road, Cherry to Hile – resurfacing
- McDowell Street, Neece to Porter – resurfacing
- Neece Drive, Rood to McDowell – resurfacing
- Park Street, Eric to Norton – resurfacing
- Reneer Avenue, Leon to Griesbach – resurfacing
- Rood Road, Sternberg to Getz – resurfacing
- Rousell Street, Porter to Getz – resurfacing
- Southwood Avenue, Lincoln to Leon – resurfacing
- Spiers Street, Eric to Norton – resurfacing
- W. Sternberg Road, Lake harbor to Rood – resurfacing
- Tanglewood Drive, Seminole to cul-de-sac – resurfacing
- Thrush Street, Eric to Norton – resurfacing
- Zuder Street, Donna to Eugene – resurfacing

In addition to the streets projects the Capital Improvement Program includes appropriations to repair existing sidewalks as well as construct a new sidewalk on Grand Haven Road (between Hidden Cove Park and Wendover Blvd.) and on Henry Street (between Porter Road and Cedar Woods Trail). Both sidewalks are Tier 1 projects in the newly updated Bicycle and Pedestrian Plan.

Water and Sewer Division

The following projects are proposed for Fiscal Year 2020 by fund:

SEWER FUND

- Ellis Road – section of sanitary sewer replacement
- Henry Street (3180) – lift station pump replacement
- Hoyt Avenue @ Seaway Drive – sewer rehabilitation
- McCracken Street – sewer rehabilitation/lining

WATER FUND

- Arbor Avenue, Griesbach Street, Reneer Avenue – water main replacement
- Bonneville Drive to Mona Shores Middle School – water loop
- Cleveland Avenue, Fairfield Street, Sheffield Street – water main replacement
- Miller Street, Randall Road to Lake Drive – water main replacement
- Pontaluna Road to Norton Pines Drive – water main loop

Building and Grounds Division – Cemetery

For Fiscal Year 2020 staff proposes to remodel the aging cemetery office and plant arborvitae along the south fence line to improve screening from the airport. Also staff continues to review potential purchase of additional property for an expansion of the cemetery. The Perpetual Care Fund, which has a balance of \$637,914, will be utilized to fund these projects.

Solid Waste Division

The Fiscal Year 2020 proposed budget maintains the current solid waste millage rate at 1.10 mills. Services provided through the Solid Waste Fund include leaf disposal, roadside cleaning, street sweeping, tree removal and refuse collection at City facilities. The spring clean-up event is also funded through the millage.

Equipment Replacement Program

The proposed Fiscal Year 2020 Budget recommends the replacement of several pieces of large to mid-sized equipment through the Equipment Revolving Fund. The most notable pieces include four tandem axle dump/plow trucks. Again, all the equipment recommended for replacement through the Equipment Revolving Fund is fully depreciated and money has been set aside for their replacement through the charging of annual rental rates in various operating budgets over past years.

Capital Improvement Program

The proposed Fiscal Year 2020 Budget contains a complete listing of proposed projects; however, several notable projects are highlighted below:

POLICE DEPARTMENT

- Memorial Display Cases \$ 9,500
- Taser Replacement – Replace all over 5 years \$ 9,930
- Women’s Locker Room Remodel/Repair \$ 26,000

FIRE DEPARTMENT

- Fire Turnout Gear Replacement (42) \$145,000
- Replace 2nd Thermal Imager \$ 10,000
- Exterior Painting Station #2 \$ 9,915
- Desktop Computer Replacement (16) \$ 16,000
- Building Division/Fire Prevention Carpet \$ 8,843
- Cold Storage Roof Repair \$ 10,000

PARKS & RECREATION

- Replace Ross Park Pavilion with Large Deck (grant) \$315,000

PUBLIC WORKS DEPARTMENT

- Sidewalk Repair & Construction \$270,000
- Parks and Recreation Garage Replacement – debt service \$ 54,112
- ADA Compliant Doors – Library Conference Room \$ 9,400
- Voting & Print Room Office Window Replacement (12) \$ 20,000
- Remove Berm - City Hall – Ginka Memorial \$ 5,000
- Replace Traffic Signal Heads – LED Lights \$ 25,000
- Replace Library Bookshelves (10) \$ 34,000
- Kids Section – Library \$ 7,500
- Front Parking Lot Replacement – City Hall \$ 30,000
- School Zone Beacons – Ross Park & Churchill Schools (6) \$ 25,000
- Cemetery Improvement (Perpetual Care Fund)
 - Remodel Cemetery Office \$ 13,000
 - Plant Trees (55) \$ 5,000

STAFF SERVICES

- Software – Business License & Training \$ 16,675
- Multi-unit Voting Booths (10) \$ 9,000
- Replace Computers (22) and Servers (3) \$ 49,407

Managing Unfunded Accrued Liabilities

Again, this issue has received a great deal of attention particularly over the past three years. City Council, staff and employees continue to lower costs of retirement benefits and retiree health care benefits. The most recent example of this is the previously mentioned contract reopeners with the two police unions to eliminate retiree health care coverage for new hires. Also, this year, the City's Act 202 plan related to the MERS pension system funding was approved by the Michigan State Department of Treasury. Further, the City's OPEB liability does not meet the State's definition of underfunded status.

With regard to funding, the proposed Fiscal Year 2020 Budget proposes spending \$400,000 above the pension ARC to improve the pension funding level with \$100,000 coming from the General Fund and the balance from non-governmental funds. In addition, the budget proposes to spend an additional \$400,000 toward OPEB funding with \$100,000 coming from the General Fund and the balance from non-governmental funds.

FINAL NOTES

The proposed Fiscal Year 2020 General Fund Budget is a balanced budget. In fact, it includes adding \$153,263 to the unrestricted fund balance. Over fiscal years 2014-2017 the fund balance had been reduced, largely due to additional funding toward unfunded liabilities. The current fund balance is 21% of annual expenditures. My goal in Fiscal Year 2018 was to increase it from 15% to 20% in 3-5 years, or by \$200,000 each year. We have accomplished that goal in just two years.

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/Assistant to the City Administrator Anthony Chandler, Finance/Parks and Recreation Director Mike Huston, Fire Chief Robert Gagnon and Police Chief Jon Gale for their thoughtful preparation of departmental budget recommendations.

I look forward to reviewing the proposed Fiscal Year 2020 Budget with the City Council during the April 23, 2019 work session. In the meantime, please contact me with any questions or comments you may have.

Respectfully submitted,

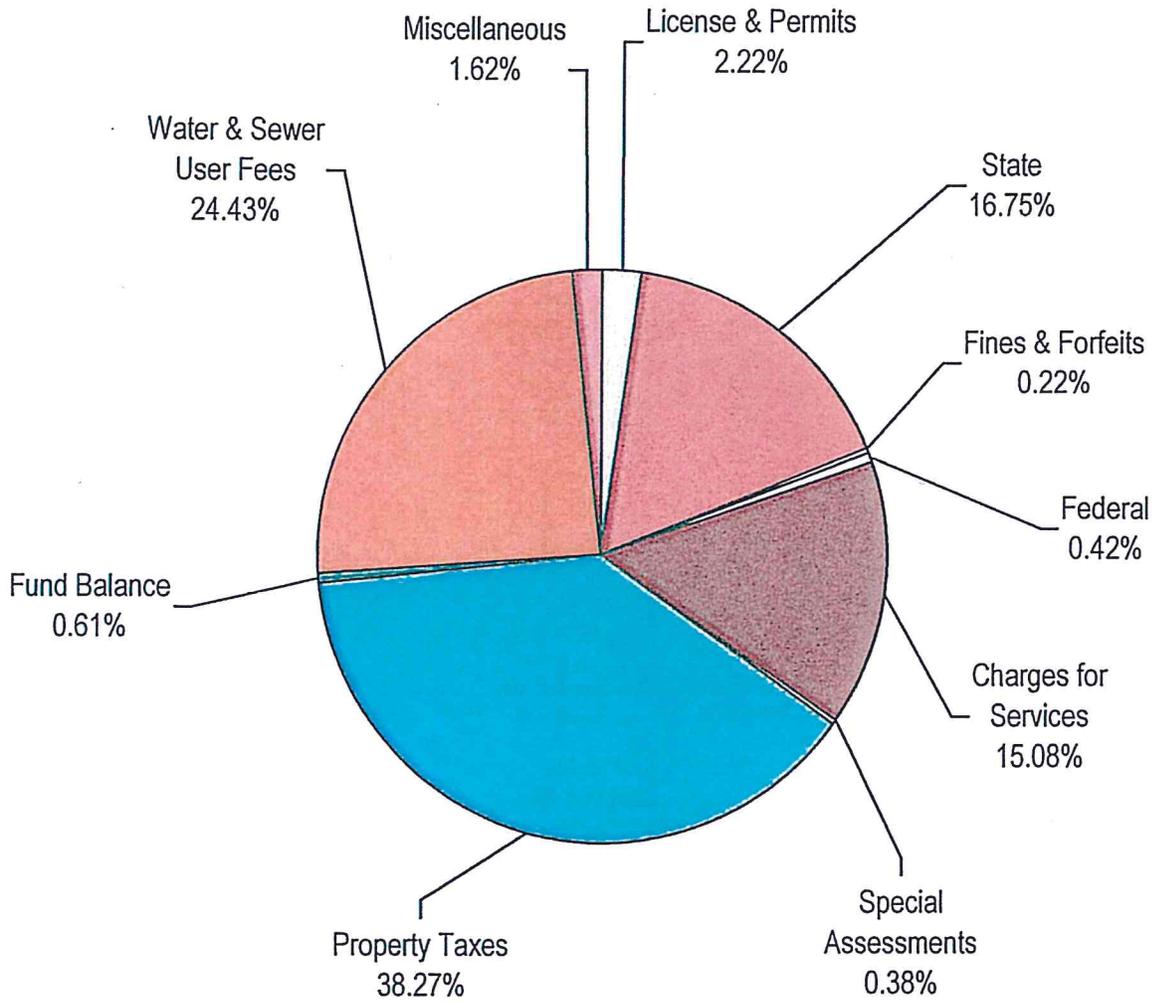


Mark C. Meyers
City Administrator

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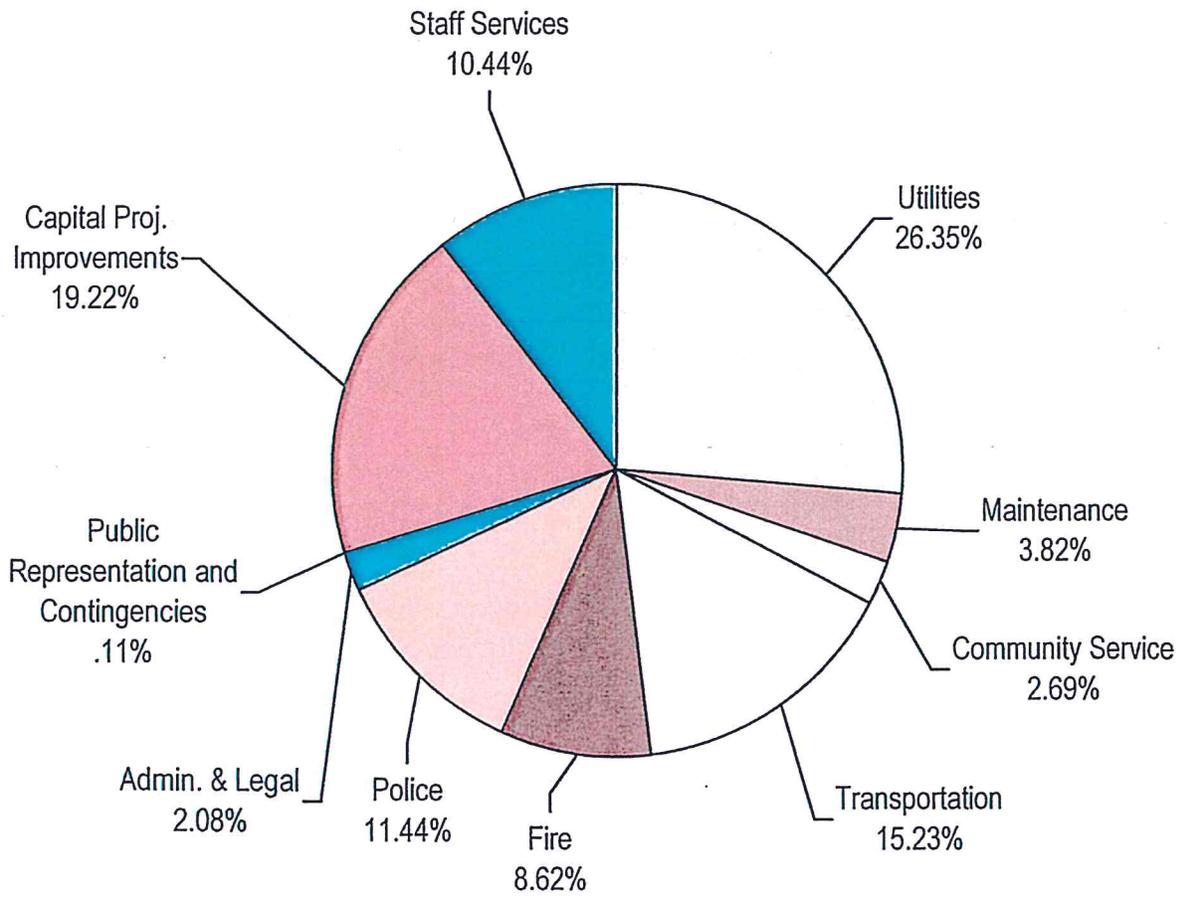
CITY OF NORTON SHORES
PROPOSED FY-2020 REVENUES

"Where It Comes From"
\$35,421,340 in Net Operating Revenue

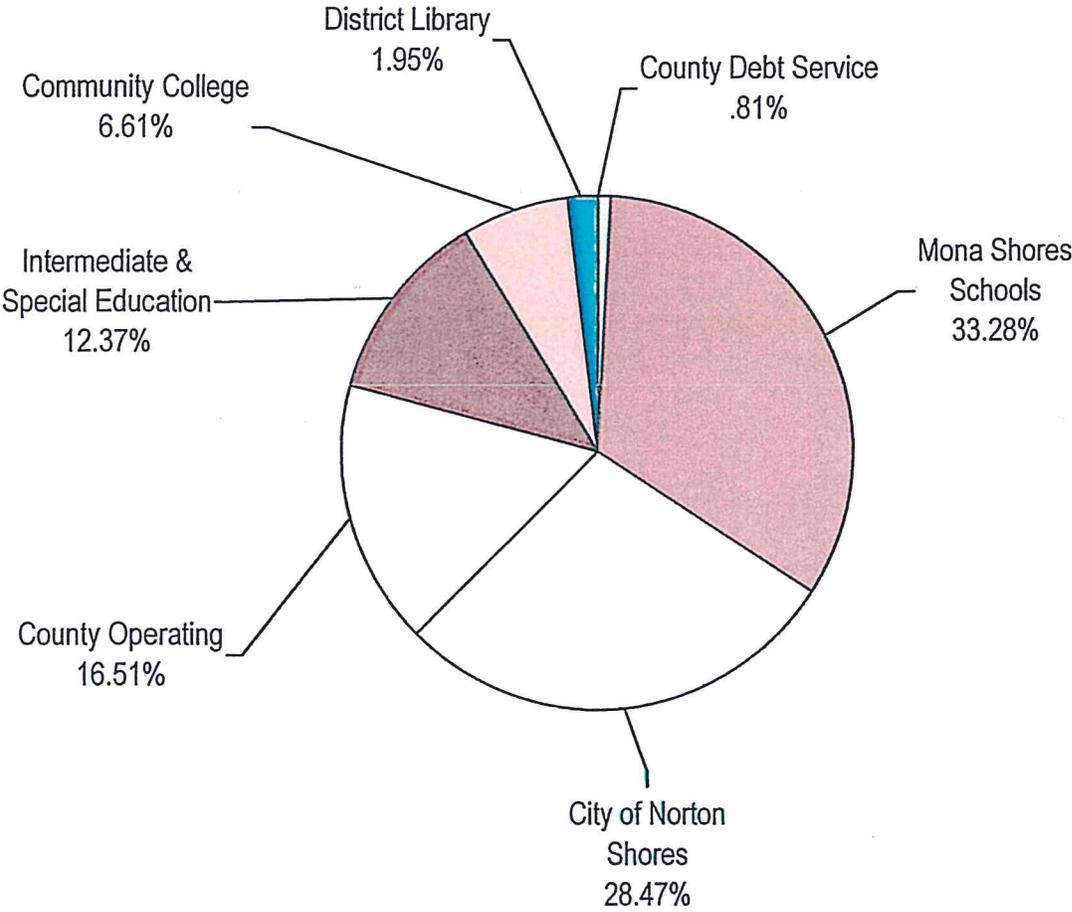


CITY OF NORTON SHORES
PROPOSED FY-2020 EXPENDITURES

"What Your Dollar Buys"
\$35,421,340 in Net Operating Expenditures



CITY OF NORTON SHORES
2020 PROPERTY TAX DOLLAR
Mona Shores School District
Proposed Millage
Homestead Tax



CITY OF NORTON SHORES
2020 PROPERTY TAX DOLLAR
Mona Shores School District
Proposed Millage
Non-Homestead Tax

