



April 21, 2022

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 2023 budget for the City of Norton Shores.

This past year has been one of trying to get back to normal as the COVID-19 pandemic wanes. Although there was a surge during the winter from the Omicron variant, staff experienced many less absences than we had during the same period in 2020 – 2021. The economy rebounded better than most expected and the Federal government provided financial stimulus to both individuals and local and state governments like never before. Moving forward there are still challenges ahead including increased inflation, supply chain delays, and surging energy prices due to the Russian invasion of Ukraine which will all affect the budget.

For the next fiscal year the budget remains essentially status quo in terms of staffing and services. The property tax rate will remain at its current level as well.

INTRODUCTION

Fiscal Year 2023 will experience a 6.09% increase in property value. Last year the increase was 3.39%; this year taxable values will rise 5.74%. Further, the Proposal A tax cap factor is 3.3% which is based on inflation. Increased values are due to both a solid year in new construction and, also, a significant continued increase in values in existing property, particularly residential. Again, services in the next fiscal year will be maintained at their current levels. Also, the property tax millage is proposed overall rate of 10.95 mills.

REVENUES AND MILLAGE RATE

General Fund revenues are anticipated to increase \$289,932 for Fiscal Year 2023. This *excludes* a pass through from a Tax Increment Finance Authority (TIFA) which had been done in each of the past five years. State shared revenues are expected to increase \$479,190. The mix of revenues in the General Fund remain similar to Fiscal Year 2022 with the most significant being property taxes at 49% (2% decrease), State revenue sharing at 22% (3% increase) and charges for services at 24% (1% decrease). Other revenue source includes fees, licenses, 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 2% based on Michigan State Department of Treasury estimates. In addition, a statutory revenue sharing through the City, Village and Township Revenue Sharing (CVTRS) program is estimated at \$86,532.

General Fund and Capital Improvement Fund limits remain at maximums established by City Charter. A breakdown of the overall proposed millage rate is as follows:

FUND	MILLAGE RATE FISCAL YEAR 2023
General	5.0
Capital Improvement	2.0
Solid Waste	.70
Street Improvement	1.50
Public Safety	1.75
TOTAL	10.95

DEPARTMENT HIGHLIGHTS

ADMINISTRATION, ADMINISTRATIVE SERVICES AND FINANCE DEPARTMENTS

Administrative Services staff in the Clerk’s Division were busy again this year with elections. The number of absent voter ballots following Michigan’s No Reason law change, coupled with the pandemic and voters choosing not to vote in person, has significantly increased. Regular voting by absentee ballot is now over 100% higher than before causing double the time necessary to process absentee ballots and having to follow required measures to secure them leading up to election day. State and Local redistricting based on the 2020 Census data also consumed an inordinate amount of time and involvement with other government agencies in redrawing our ward and precinct lines according to Michigan election law and resulted in major changes going forward.

Administrative Services staff was also busy managing Human Resources with ongoing recruitment and selection of personnel. In 2022, thirty positions were filled by hire or promotion. As City Council will recall we added several public safety positions due to the Police and Fire Department’s staffing study including traffic and health officers, a special services detective, fire battalion chiefs and full-time fire fighters. Also, in 2022, the Building Division was put under Administrative Services and this year the budget proposes to move the Planning and Zoning Division (i.e., City Planner) into the Building Division. This will assist in communication between the two divisions as was the case under the former Community Development Department when the functions were organizationally and physically aligned.

The Fiscal Year 2023 Budget proposes to fund a wage and classification study for the Management, Professional, Technical and Clerical (MPTC) employee group. The last study was conducted several years ago in 2015. Since that time, some departments have been reorganized, jobs have been split and the economy has seen its ups and downs resulting in retention and recruitment becoming key priorities.

Also, the Fiscal Year 2023 Budget proposes taking the Community Development Block Grant (CDBG) Program in house. For several years the City contracted with the City of Muskegon to provide administrative oversight to the Federally funded program. However, staff voiced that bringing it in-house will improve administration of the program and the City will also save \$31,000 on the annual fee paid to outsource the service. Additionally, the CDBG program is due for a new Fair Housing Study which is required every five years. The study is conducted with neighboring CDBG programs in the City of Muskegon and the City of Muskegon Heights and the Norton Shores share of the cost is approximately \$40,000.

Lastly, managing unfunded liabilities continues to be a focus of Fiscal Year 2023. For the ninth consecutive year staff is proposing additional funding above the pension's Annual Required Contribution (ARC). Also, staff proposes to pay toward OPEB (i.e., retiree health insurance) above the OPEB ARC. The specifics will be outlined later in this message.

ECONOMIC DEVELOPMENT

While the COVID-19 pandemic had reduced the overall economic development activity in 2020, as alluded to earlier, the economy has rebounded in 2021. In terms of manufacturing growth, at least two companies are moving into Norton Shores from neighboring communities. Seal Bond, Inc. is building a 200,000 square foot facility on East Mt. Garfield Road, half of which will be leased to LaColombe Coffee Roasters for their latest expansion. Additionally, West Wind Construction is building a new 80,000 square foot manufacturing facility for Klever Innovations. Further, West Wind Construction has purchased 12.75 acres of city owned industrial land on Grand Haven Road to build two additional manufacturing facilities. The closing occurred last week.

As manufacturing continues to grow in the City, retail and commercial appears to be declining somewhat. A few independently owned businesses including Dog N Suds and The Fish Monger's Wife have closed. Also, the Plane Watch Food Park is under new ownership and, at least for now, is not operating. However, there are other positive signs including a new Chipotle restaurant approved for Henry Street and the former Logan's restaurant under renovation as a seafood restaurant.

Residential growth is slow but demand is high. While more homes are being built, availability is tight and existing home sales continue to bring increased prices. Through March ten new homes have been constructed but additional housing is on the horizon. A new mobile home community proposed by West Wind Construction has been approved for Ellis Road. Forty-two home sites will hopefully provide for more affordable housing in the community. Also, the city optioned seven lots in the Eastowne Development of Norton Shores for an apartment community. The developer continues to do his due diligence and we hope to close on the property this spring. This would provide additional housing options for those wishing to locate to Norton Shores. Other housing developments are in the planning stages as well. Two more significant projects approved this year include two senior assisted living centers. The developments will provide 160 units of housing for a population that continues to increase in our community. Overall new construction value totaled \$39 million through March 2022. This is \$22.7 million more than the previous year to date which totaled \$16.3 million.

TAX INCREMENT FINANCE AUTHORITY

Several projects are proposed in the TIFA District for Fiscal Year 2023. They include infrastructure improvements, upgrades to the Public Works Garage and also to Fire Station 3. Infrastructure improvements involve replacing the traffic signal controller camera at Grand Haven Road and Sternberg Road, lining the dewatering station wet well to repair damaged concrete and stop infiltration and construction of sidewalk along Grand Haven Road from Mt. Garfield Road to North Gateway Boulevard. Improvements to the DPW Garage include converting lightbulbs to LED technology, replacing the heating and cooling software and constructing a concrete pad for snow plow blade storage. Improvements to Fire Station 3 include seal coating the parking lot, installing a speaker in the truck room, replacing the vehicle exhaust system as well as building equipment replacements.

As noted previously, this budget does not include a pass through from the TIFA Fund to the General and other funds. As noted in last year's budget message, the District will sunset in four years and, with recent use of fund balance for major projects including resurfacing two road segments and purchasing a fire ladder truck, it is time to build the fund balance back up and begin multi-year planning for necessary projects to be funded prior to the completion of the District.

PARKS AND RECREATION DIVISION

The Parks and Recreation Division, placed under Administrative Services last fiscal year, has been streamlining its operations. Under the reorganization, efficiencies have been made in the use of personnel. The Parks are being maintained in excellent condition and the Arts and Drafts Festival was brought back after a one-year hiatus.

Significant projects this year include the ongoing redevelopment and improvement of the Ross Park pavilion/overlook. Thanks to American Rescue Act funding the scope of the project, which had been downsized after missing out on two grant attempts, should allow the project to be reimaged. Proposals were solicited and two submissions reviewed with one being focused on which provides both indoor, as well as, outdoor space.

Other projects include assisting the Mona Lake Watershed Council in funding the second phase of alum treatment in Mona Lake. The goal of the treatment is to reduce phosphorus loading which leads to alga blooms. A second project includes the first phase of treatment of Hemlock Woolly Adelgid infested trees in Lake Harbor park. Lastly, the Fiscal Year 2023 Budget proposes to replace multiple contracted positions used for recreation programs and park maintenance with two full-time employees. This budget-neutral recommendation will slightly reduce operating costs and greatly enhance the value of human resources by providing more work hours and the ability to determine when, where and how work is done.

BUILDING DIVISION

As stated, the Fiscal Year 2023 Budget includes a recommendation to move the Planning and Zoning functions from under the Public Works Department to the Administrative Services Department. This would entail a physical move of the City Planner to the Building Division office

which will assist with communication and improve synergy between the Building and Zoning functions.

POLICE DEPARTMENT

As noted previously, the Fiscal Year 2022 Budget provided several changes in staffing with the goal to improve services in the Police Department. This included two additional police officers to bring back a traffic function to the department. Also, a grant position dedicated to mental health response was added, as was an additional detective for the Crimes Against Women area-wide collaborative team. While the budget does not include additional positions for the Police Department, one need has emerged. With six full-time positions within the department funded through grants and contracts for services, managing these grants and contracts has become increasingly time consuming and cumbersome. Currently, grants are administered by existing staff who have principal duties other than grant writing and administration. Therefore, Chief Gale requested a new position just for that purpose. Unfortunately, our resources do not allow for it at this time. However, Chief Gale is also seeking grants that would pay for the position itself. Therefore, should outside funding be identified for such a position, it may be recommended as a mid-year budget adjustment.

FIRE DEPARTMENT

The current year saw a reorganization within the Fire Department which added three battalion chiefs and three full-time fire fighters. While Chief Gagnon requested three additional fire fighters this Fiscal Year based on the staffing study, there simply is not sufficient resources to add to the staff without increasing the public safety millage. Therefore, staffing will remain status quo following the changes made last fiscal year. However, it should be noted that the additional positions that were implemented have had a profound effect on the number of Fire fighters responding to structure fires on-scene. That figure increased from five fire fighters to almost nine. That is a tangible and significant improvement.

An important project that both police and fire personnel collaborated on is a \$200,000 grant application to construct a training room and also purchase equipment to improve the public safety training center on Mt. Garfield Road.

It should be noted that the agreement with Muskegon County Airport is in jeopardy as Sky West has formally submitted its intent to the FAA to end service at MKG. Likewise, the Police Department's law enforcement services agreement is also in question. City staff has met with County staff and is monitoring the situation. Revenue from these service agreements and, therefore the budget, may have to be adjusted mid-year.

PUBLIC WORKS DEPARTMENT

The following is a list of significant infrastructure projects listed by fund:

CAPITAL IMPROVEMENT FUND

- Ellis Road Cemetery (partial funding)

LOCAL IMPROVEMENT FUND

- Ellis Road Cemetery (partial funding)

MAJOR STREET FUND

- Porter Road, Martin Road to Henry Street – double chip seal
- Seminole Road, Park Street to Seaway Drive – reconstruction (partial funding w/ STP Grant)
- Forest Park, Harbor Point to Henry – Reconstruction (partial funding)
- CMAQ Henry Street Signals Improvement, Seminole, Norton, East Broadway
- Norton-Lincoln Curve – High Friction Resurfacing
- Getty Street – Road Diet Study

LOCAL STREET FUND

- Buck Street, Shettler to the north – double chip seal
- Werner Street, Shettler to the north – double chip seal
- Judson Street, Harvey to the west – double chip seal
- Fink Street, Shettler to the north – double chip seal
- Peninsula Drive, Seminole to the east – HMA overlay
- Winslow Court Storm Outfall - Replacement

MUNICIPAL ROAD FUND

Resurfacing

- Braeburn Drive, Forest Park to Cul-de-sac
- Cherrywood/Birchwood Court, Rood Point to Hile
- Chilton Road, Cambridge to Highgate
- Eugene Avenue, Henry to Sunny Ridge
- Stamford Drive, Cambridge to Highgate
- Kiskey Street, Scranton to East Shorewood
- Scranton Drive, Elmwood to Kiskey
- East Shorewood Drive, Kiskey to Rood – (bid alternate)

Reconstruction (Major Street Share)

- Seminole Road, Park Street to Seaway Drive (partial funding)

TIFA

- Grand Haven Road, Mt. Garfield – N. Gateway – sidewalk construction
- Grand Haven Road Storm Sewer Station – wet well Lining
- Harvey Street Traffic Signal Controller – replacement

PERPETUAL CARE FUND

- Ellis Road Cemetery (partial funding)

SEWER FUND

- Forest Park Road, Harbor Point to Henry – sewer repairs (partial funding)
- Sheffield Street, Summit to S. of Lincoln – sewer replacement, Lift Station Reduction/Replacement
- Fairfield Street, Summit to S. of Lincoln – sewer replacement, Lift Station Reduction/Replacement
- Grand Haven Road CIPP – sewer lining
- Treeline Drive Pump Station – pump replacement
- Grand Haven Road Pump Station – pump replacement

WATER FUND

- Forest Park Road, Harbor Point to Henry – water main replacement (partial funding)
- Bonneville Drive, Mona Shores Middle School – water main loop
- Sheffield Street, Summit to S. of Lincoln – water main replacement
- Fairfield Street, Summit to S. of Lincoln – water main replacement
- Sandybrook Court, Airport north – new water main
- Norton Avenue, Norton south to easement – water main loop
- EGLE-PFAS GRANT
 - Petrie Avenue/Wilson Avenue, Grand Haven Rd to airport loop – new water main
 - Seng Road, Hile Rd to Eugene – new water main
 - Kuntz Street, Hile Rd to Eugene – new water main
 - Sunnyridge Road Extension, south of Eugene Avenue – new water main
 - Aue Road, Miller Rd to east end – new water main
 - Private road off Porter, west of Martin – new water main
 - Keller Drive, Hile Rd to Randall Rd. – new water main

BUILDING AND GROUNDS DIVISION – CEMETERY

Along with street, sidewalk and “routine” projects, I would like to highlight two additional projects of significance for Fiscal Year 2023 in the Public Works Department. First is the ongoing development of the Ellis Road Cemetery. Fiscal Year 2023 Budget provides for construction of the first phase of the project which will include clearing the property, constructing an entrance and roadway, plotting 700 grave sites and construction of a maintenance building. Funding will be shared between the Capital Improvement and Cemetery Perpetual Care Funds.

WATER AND SEWER DIVISION

Another significant project includes \$3.2 million in construction of water main around the airport. The Michigan Department of Great Lakes and Environment (EGLE) identified these emergency funds in a recent appropriations bill that will hook up approximately 80 homes with PFAS contaminated wells where city water is currently not available. This project will require a significant amount of time and effort to engineer and construct. Further, EGLE is actively searching for additional funding to hook up an additional 80-90 homes which is the ultimate goal in providing residence neighboring the airport with clean and safe water.

Solid Waste Division

The Fiscal Year 2022 budget provided for a 0.40 reduction in the Solid Waste millage. This allowed the Public Safety Millage to be increased by a like amount which funded additional Police and Fire positions. Again, there is sufficient fund balance in the Solid Waste Fund to provide services such as leaf disposal, roadside cleaning, street sweeping, tree removal, refuse collection at City facilities and the annual Spring Clean-up for several years.

Once the fund balance is used, the millage will be increased once again. It should be noted that at that time the TIFA District will have sunset and the related revenue that was once captured will flow to the General Fund, Public Safety Fund and others so that the Public Safety Fund can be reduced by like amount and, therefore, avoiding a tax increase and keeping the millage at its current rate.

EQUIPMENT REPLACEMENT PROGRAM

The proposed Fiscal Year 2023 budget recommends the replacement of several pieces of large to mid-size equipment through the Equipment Revolving Fund. Notable pieces include:

- Motor Grader
- Aerial Lift Truck
- Dump Truck
- DPW Division Pickup Trucks (6)
- Police Patrol Vehicles (3)

Equipment recommended for replacement through the revolving fund is fully depreciated and money has been set aside through the charging of rental rates from various operating budgets over the past years.

CAPITAL IMPROVEMENT PROGRAM

The proposed Fiscal Year 2023 budget contains the complete listing of projects; however, several notable projects are highlighted below:

Police Department

- | | |
|--------------------------------|-----------|
| • Armory Remodel | \$ 3,200 |
| • Radar Speed Sign Replacement | \$ 22,500 |
| • ERT Rifle Replacement (5) | \$ 11,705 |
| • Breaching Door Kit | \$ 14,000 |
| • Interview Room Remodel | \$ 1,500 |
| • Drone | \$ 10,000 |

Fire Department

- | | |
|--------------------------------|-----------|
| • Training Center Improvements | \$ 30,000 |
| • Autism Sensory Kits (11) | \$ 2,500 |
| • ERT Medical Equipment | \$ 2,500 |

- BS&A Software – Fire Inspections \$ 10,685
- Matterport 360-degree Camera \$ 3,495
- Station 2 Garage Door Upgrade \$ 10,075

Parks & Recreation Division

- Tree Replacement – Ross and Lake Harbor Parks \$ 10,000
- Sprinkler Repair Lake Harbor Park – Ross Park \$ 8,000
- New Park Signs (Ross/Lake Harbor/Black Lake) \$ 10,319
- Replace Boardwalk Sections – Lake Harbor Park \$ 10,000

Public Works Department

- Asphalt Mill Head attachment – Skid Steer \$ 18,000
- Phase I Cemetery Development/Building – New Cemetery \$ 399,000
- DPW Office/Breakroom Carpet Replacement \$ 8,500
- Window Replacement (North/South) – City Hall \$ 22,500
- New Carpet Community Room – Library \$ 15,000
- Electronic Sign – Library \$ 20,000

Staff Services

- Service Window Installation - Clerk \$ 10,000
- Adjustable Desktop stands \$ 1,000
- Front Counter Window – Building Division \$ 25,000
- Office Reconfiguration/Equipment – Finance \$ 1,200
- BS&A Accounts Receivable Software – Finance \$ 17,500
- Polling Place Laptop Replacement (10) \$ 10,000

The current assigned Capital Improvement Fund balance is estimated to be \$2,094,555 and the unassigned balance to be \$309,904 million at the end of Fiscal Year 2023.

MANAGING UNFUNDED ACCRUED LIABILITIES

The proposed Fiscal Year 2023 budget will use \$300,000 above the ARC to improve the pension funding level with \$100,000 coming from the General Fund and \$200,000 from non-governmental funds. Again, this would be the ninth consecutive year of funding above the pension ARC. In addition, the budget proposes to spend \$300,000 additional toward OPEB funding with \$100,000 coming from the General Fund and \$200,000 from non-governmental funds.

AMERICAN RESCUE PLAN ACT FUNDING

Norton Shores is eligible for funding from the ARPA up to \$3.54 million. Thus far we have received over \$1.7 million which has been placed in a separate fund for future use. City Council

has discussed many potential uses over two work sessions and is narrowing down the list. A work session will be held in the near future and, hopefully, finalized at that time. To date, some money has been committed to the Robertson Brain Health program for all employees, covered some COVID related expenses and, as indicated previously, is proposed to be used toward the redevelopment of the Ross Park Pavilion and construction of an overlook deck. Construction of the Lake Harbor Trail is another project that City Council supports using ARPA funds toward.

FINAL NOTES

The proposed Fiscal Year 2023 General Fund Budget is a balanced budget. It includes using \$42,654 in unassigned fund balance. The current fund balance is 26.6% of annual expenditures or \$3.3 million.

I would like to thank the Mayor and City Council for their continued support and direction regarding spending priorities. I would also like to thank the executive staff including new Public Works Director Jim Murphy, Administrative Services Director/Assistant to the City Administrator Anthony Chandler, Finance Director Chris Lyonnais, Fire Chief Bob Gagnon and Police Chief Jon Gale for their thoughtful and thorough preparation of departmental budget requests.

I look forward to reviewing the proposed Fiscal Year 2023 Budget with the City Council during the April 26, 2022 work session. In the meantime, please contact me with any questions or comments that you may have.

Respectfully submitted,

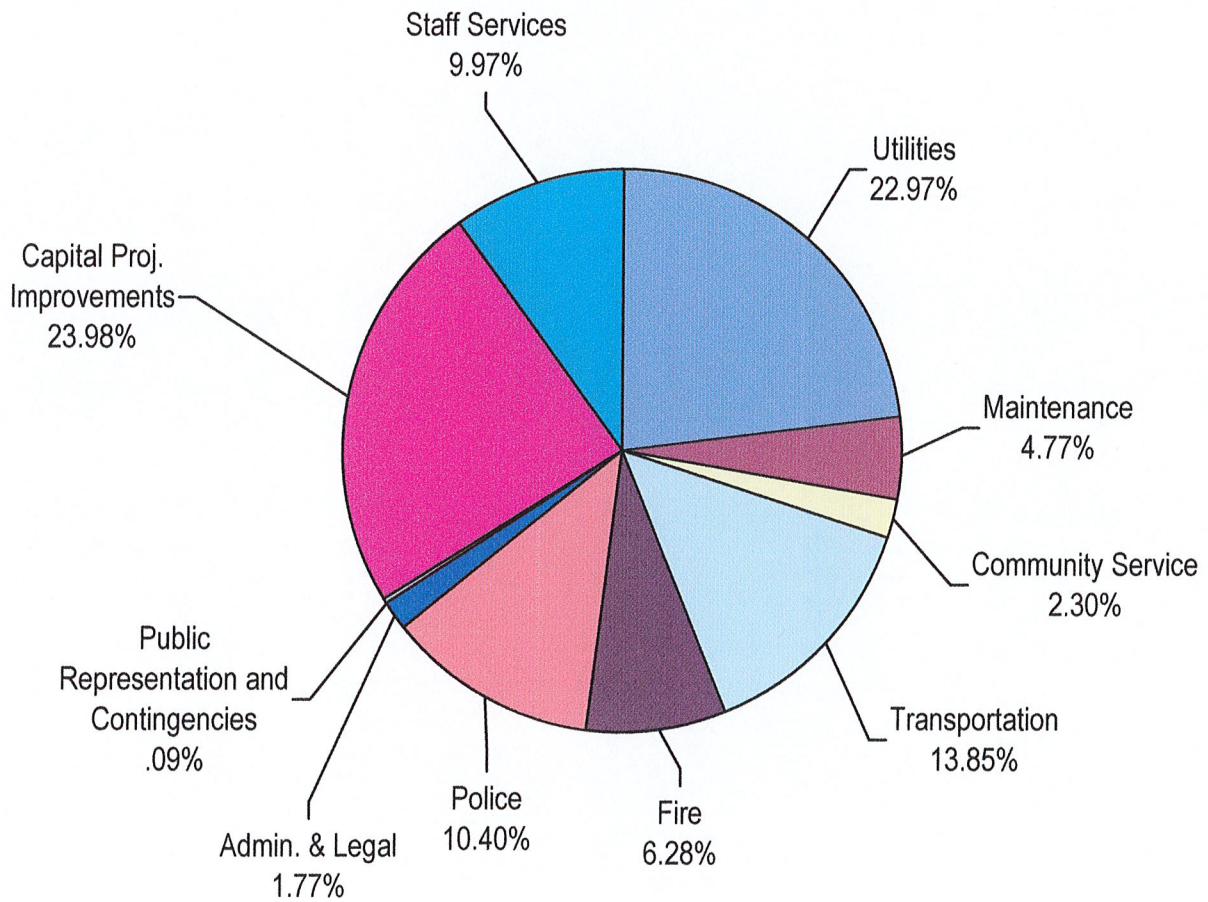


Mark C. Meyers
City Administrator

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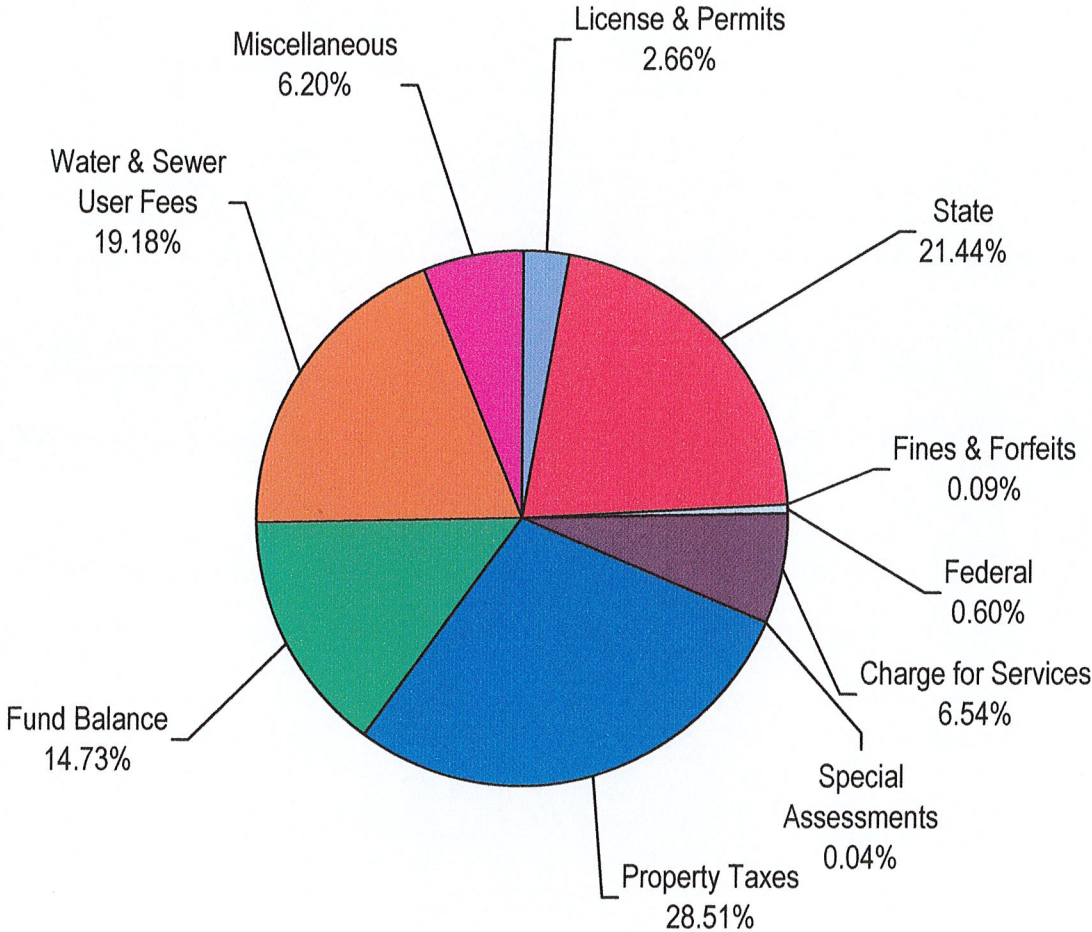
CITY OF NORTON SHORES
PROPOSED FY-2023 EXPENDITURES

"What Your Dollar Buys"
\$46,662,489 in Net Operating Expenditures

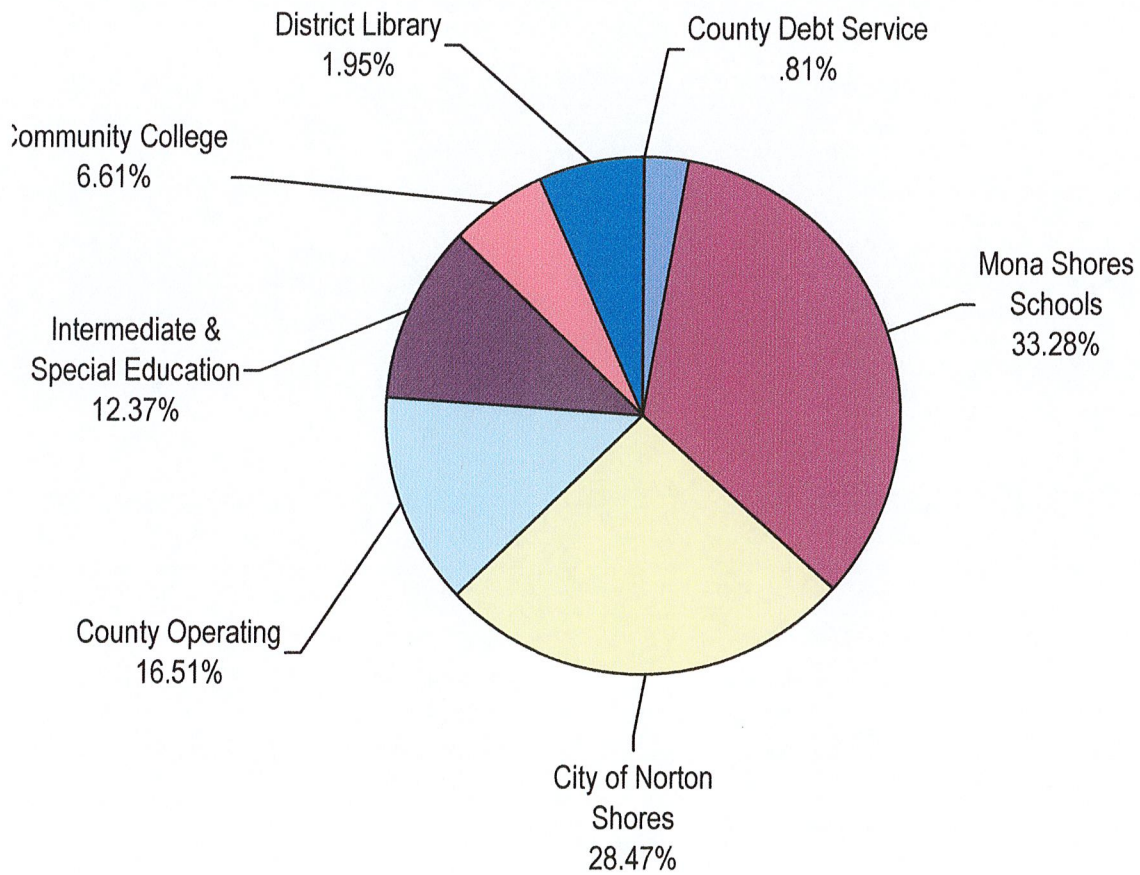


CITY OF NORTON SHORES
PROPOSED FY-2023 REVENUES

"Where It Comes From"
\$46,662,489 in Net Operating Revenue



CITY OF NORTON SHORES
2023 PROPERTY TAX DOLLAR
Mona Shores School District
Proposed Millage
Homestead Tax



CITY OF NORTON SHORES
2023 PROPERTY TAX DOLLAR
Mona Shores School District
Proposed Millage
Non-Homestead Tax

