



April 21, 2020

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 2021 budget for the City of Norton Shores. This budget is being proposed at an unprecedented time in modern history with the onset of the COVID-19 pandemic, something that has not occurred in the United States for over a century.

While the community struggles to remain healthy, the pandemic has brought the economy to an almost complete standstill. Therefore, there is much uncertainty about what the future holds in that regard. However, with robust economic stimulus measures by the State and Federal governments there is also much hope that employees will be sustained and, eventually, the economy restarted. What this means for this budget in terms of State shared revenue, which is derived from sales tax, is an expected reduction that has not yet been quantified. Fortunately, since we do not rely on an income tax for operating revenues, the negative impact on the budget will be less than it could be. Unlike the great recession, property values have not, at least at this point, been affected by the pandemic.

Overall the City will proceed cautiously entering the next budget and take a very close look during the year at necessary adjustments. This will begin immediately.

### INTRODUCTION

Fiscal Year 2021 marks another year of property value increase. Last year the increase was 4.5% and this year will be 3.9%. Taxable values will rise 3.29%. 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 \$279,854 for Fiscal Year 2021. This includes continuation of the Tax Increment Finance Authority (TIFA) pass-through for the fourth year. State shared revenue is estimated to increase \$42,228. The mix of revenues in the General Fund remain similar to the 2020 budget with the most significant ones being property taxes at 42.19% (3.92% increase), State Revenue sharing at 20.60% (3.88% increase) and charges

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

for services at 24.03% (8.95% 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 1.9% 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 \$88,956. It is unknown how negatively the COVID-19 pandemic will affect sales tax revenue in the State and, there, we will have to review these estimates mid-year.

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 2021
General	5.0
Capital Improvement	2.0
Solid Waste	1.10
Streets Improvement	1.50
Public Safety	1.35
<b>TOTAL</b>	<b>10.95</b>

Renewal of the Public Safety millage is on the May 5th ballot. Should it fail, there will be another opportunity at the November 3<sup>rd</sup> election prior to its’ expiration.

### 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 the demolition of the former Kmart Department Store and commencement of construction of Mercy Health’s new 40,000 square foot full-spectrum health care facility. Staff also continues to work with the owner of the former Kmart site, R.D. Management, to develop a 126-unit apartment community on the site. Since Art Van’s recent closure, the building will become a redevelopment opportunity.

Administrative Services staff continues to manage human resources and assist with the recruitment and selection of personnel. In 2020 more than eighteen positions were filled through hire and promotion. These were due to turn over from resignations, retirements and also, three new positions. Looking forward, we will be hiring a new Public Works Director following the retirement of Jerry Bartoszek.

Managing unfunded liabilities will continue to be a focus in the Fiscal Year 2021 proposed budget. For the seventh 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 in Fiscal Year 2019. With new goals, staff is working on several projects this year including a communication/marketing plan, a staffing study and succession plan of the Police and Fire Departments. To facilitate better communication with the public an appropriation is included in the Fiscal Year 2021 budget to create a new web site. The current site is outdated and cumbersome to maneuver.

### *Economic Development*

The economy prior to the pandemic had been strong. Growth was seen through recent industrial expansions and relocations to Norton Shores. Two new facilities have not yet broken ground – Blue Photon and Earthtronics. Hopefully, they move forward. Employment numbers remained high. Our annual employment survey from January 2020 reflects more than 175 new jobs created from 2019 to 2020 among 25 manufacturers. Of course, it remains to be seen how our employers fair once the pandemic is over.

Retail and commercial growth continues. This past year new businesses including Burlington in the former Gordman’s space at Lakeshore Marketplace and Gael’s, a mexican restaurant where Mango’s had been. A site plan was approved for a Chick-fil-A restaurant on the former Johnny Carino’s site as well. And, again, the Mercy Health project is underway. The City also approved a site plan for a new food truck concept at the Pointes Mall called Food Truck Plane Watch Park.

While residential construction was down in fiscal year 2020, several new communities were approved. During Fiscal Year 2020 eleven new homes have been constructed which is a new post-recession low. However, currently site plans for three single family communities representing 105 units are approved. In addition, one new multi-family housing development is planned. Unfortunately plans for Eastowne Flats, representing a proposed 226 units will not move forward. Staff is in the process of hiring a broker to market the seven city-owned lots where this development was to be built.

Overall new construction value totaled \$33 million through March 2020. This is \$8 million more than the previous year-to-date which totaled \$25 million.

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

- 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

- 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

- 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 tenants)
- Blue Photon Technology (Porter Rd.) – moving from Shelby; 15,000 – 25,000 sf; 8-12 jobs; \$2.8 million investment
- Earthtronics (Airport Place) – 42,000 sf; 11 jobs

#### *Tax Increment Financing Authority*

There are two projects proposed for the TIFA district in Fiscal Year 2021. These include the resurfacing of Grand Haven Road from North Gateway Boulevard to Sternberg Road and installation of intersection cameras at Sternberg/Harvey and Sternberg/Grand Haven at a cost of \$125,000.

Again, the Fiscal Year 2021 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*

In fiscal year 2020 a grant application to demolish the aging beach pavilion and construct a large overlook deck in its place in Ross Park was submitted but fell just short of being awarded. Therefore, a grant application has been resubmitted to the Michigan Department of National Resources Trust Fund to assist in funding the project. The new application addresses previous shortcomings and increases the local match to enhance chances of award.

## Police Department

During Fiscal Year 2020 additional police officer positions were added after approval of two detective positions. Domestic violence crime advocacy and crimes against senior citizens, collaborative initiatives with Muskegon County and other local law enforcement agencies, are funded 100% through a State of Michigan Crisis Against Women Grant and the county-wide Senior Millage Grant respectively. Staffing for Fiscal Year 2021 is status quo; however, a draft of the Police Department Staffing Study being conducted by GovHR USA has been received by staff and once finalized and reviewed by City Council may lead to future personnel recommendations.

A new patrol boat was also purchased this year and a contract with the Muskegon County Sheriff's Department was executed to bolster our marine patrol and boater education efforts.

## Fire Department

In February 2020, the Muskegon County Airport lost its early, twice-daily flights. As City Council will recall, the added service had required the City to hire three additional full-time Firefighter-Drivers to meet the demand of the new schedule. This shift to less flights requires a reduction in staffing needs but will allow retaining two of the positions. Staff is negotiating an amendment to the current Airport Rescue & Firefighting Agreement. Further, the City's Fire Services Agreement with the City of Roosevelt Park expires December 2020 and staff has begun negotiations to extend the contract.

### *Building Division*

The Building Division had been very busy with the current level of economic activity prior to Governor Whitmer's suspending non-essential business activity in March. More resources were needed to keep up with demands on staff. A full-time inspector position was brought back in lieu of the part-time position after charges for services were brought up to date. Some of the current fees did 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:

#### CAPITAL IMPROVEMENT FUND

- Grand Haven Road, Hidden Cove Park to Airport Road - sidewalk
- Henry Street, Cedar Woods Trail to Porter Road - sidewalk

#### LOCAL IMPROVEMENT FUND

- Seminole Road, Henry Street to Seaway Drive – reconstruction and Place Plan Imp.

## MAJOR STREET FUND

- Airline Road Bridge – heavy maintenance
- Grand Haven Road, Nina Lane, Pontaluna Road, Wellesley Drive, Winslow Court - drainage improvements
- Forest Park Road, Lake Point Drive to Henry Street - rehabilitation
- Getty Street - road diet to create bike lane/Mona Lake Trail
- Hile Road, Henry Street to Kunz Street – sidewalk
- Industrial Road – reconstruction
- Lake Harbor Road, Ridgeview Drive to Sunset Point Drive – resurfacing
- Lake Harbor Road, Lake Harbor Bridge to Forest Glenn Drive - resurfacing
- Manitou Boulevard, Reneer Avenue, Summit Avenue - storm sewer lining
- Seminole Road, Henry Street to Seaway Drive – reconstruction and Place Plan Imp.\*

\* Also includes Water and Water Authority Funds

## TIFA

- Grand Haven Road, Sternberg Road to N. Gateway Boulevard – resurfacing

## MUNICIPAL ROAD FUND

- Algonquin Drive, Seminole Road to Norton Avenue – resurfacing
- Austin Street, Summit Avenue to Broadway Avenue – resurfacing
- Brentwood Street, Seminole Road to Norton Avenue- resurfacing
- Carol Street, Sternberg Road to Getz Road - resurfacing
- Chippewa Drive, Seminole Road to Norton Avenue – resurfacing
- Davis Road, Hile Road north to end
- Esther Avenue, Grand Haven Road east to cul-de-sac – resurfacing
- Hiawatha Drive, Seminole Road to Norton Avenue - resurfacing
- Leif Avenue, Estes Street to Wickham Drive - resurfacing
- Neece Drive, Summerfield Drive to Rood Road - resurfacing
- Ossad Drive, Neece Drive to Summerfield Drive - resurfacing
- Rood Road, Seminole Road to Norton Avenue- resurfacing
- Summerfield Drive, Porter Road to Neece Drive – resurfacing
- Valk Street, Broadway Avenue to Sherman Boulevard - resurfacing

It should be noted that due to the pandemic, gasoline consumption is down considerably which will reduce Act 51 revenue (gas and weight tax). This will negatively affect the Street Funds (Major and Local) causing some street maintenance to be reduced in the future. Fortunately, we have many different sources of funding for street improvements that do not rely on Act 51 revenues (e.g.: CIP, LIF, TIFA, Municipal Road).

## *Water and Sewer Division*

The following projects are proposed for Fiscal Year 2021 by fund:

### SEWER FUND

- Bradley Street lift station – wet well lining
- Broadway Avenue, Estes Street, Hoyt Street to Seaway Drive, Manitou Boulevard, Reneer Avenue, Seminole Road, Summit Avenue – spot sewer lining
- Harvey Street, Atwood Springs to Judson Road to US-31 – sewer and lift station
- Lake Harbor Road lift station – wet well lining
- Norman Street lift station – pump replacement
- Norton Hills Road lift station – pump replacement
- Sheffield Street and Henry Street lift station – replacement and consolidation

### WATER FUND

- Bonneville Drive to Mona Shores Middle School – water loop
- Cleveland Avenue, Fairfield Street, Sheffield Street – water main replacement
- Forest Park Road, Lake Point Drive to Henry Street - water main replacement
- Pontaluna Road to Norton Pines Drive – water loop

## *Building and Grounds Division – Cemetery*

For Fiscal Year 2021 staff proposes to complete the purchase of 11 acres on Ellis Road to be developed into a new cemetery. The Perpetual Care Fund, which has a balance of \$625,483, will be utilized to fund expansion of a second cemetery.

## *Solid Waste Division*

The Fiscal Year 2021 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 2021 Budget recommends the replacement of several pieces of large to mid-sized equipment through the Equipment Revolving Fund. The most notable pieces include a plow truck, backhoe and a sewer inspection camera truck. It should be noted that the camera truck is a new piece of equipment and will, initially, be purchased with a transfer from the Sewer Fund. And, again, a patrol boat was purchased mid-year at an approximate cost of \$79,000 after being outfitted.

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 2021 Budget contains a complete listing of proposed projects; however, several notable projects are highlighted below:

#### POLICE DEPARTMENT

- Taser Replacement plan (10) \$ 12,180
- Body Cam/Car-Cam Replacement \$ 28,000
- Lobby Bathroom Remodel \$ 9,500
- Patrol Rifle Sights (17) \$ 8,000
- Handgun Replacement \$ 8,500
- Street Intersection Cameras – Seaway/Grand Haven & Norton \$ 50,000

#### FIRE DEPARTMENT

- Automated CPR Device \$ 20,685
- Gear Extractors – Station 1 & 2 \$ 30,760
- Public Safety Training Center Improvements \$ 31,000
- Parking Lot Reconstruction – Station 1 \$ 37,500
- Brush Truck Skid Unit Replacement \$ 14,393

#### PARKS & RECREATION

- Tree Replacement – Ross and Lake Harbor Parks \$ 14,000
- Replace Pavilion with Overlook (grant) \$380,000
- Upgrade Frisbee Golf \$ 8,950

#### PUBLIC WORKS DEPARTMENT

- Library Roof Replacement \$125,000
- Sidewalk Repair & Construction \$212,000
- Library Security Cameras \$ 5,000
- Land Clearing and Ground Work – New Cemetery \$100,000
- City Hall Roof Replacement \$195,000
- Painting of Railroad Bridge \$ 17,750

#### STAFF SERVICES

- BS&A – Human Resources Software \$ 11,900

The current unassigned Capital Improvement Fund balance is \$1.6 million.

## Managing Unfunded Accrued Liabilities

With regard to funding, the proposed Fiscal Year 2021 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. Again, this would be our seventh consecutive year of funding above the pension ARC.

One caveat, however, is that due to the uncertainty of how the pandemic will affect State sales tax (revenue sharing), payment should be held until at least the third quarter so we have a clearer picture of revenues. Some of the additional funding could be reduced.

### FINAL NOTES

The proposed Fiscal Year 2021 General Fund Budget is a balanced budget. It includes adding \$60,756 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 24% of annual expenditures. As planned, the balance was increased from 15% to 20% from fiscal year 2017-2019. In Fiscal Year 2019 it was increased by \$583,211, attributable to lower benefit costs, an increase in revenue sharing and positive investment returns. The current fund balance is \$2.7 million with \$2.3 million unassigned.

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 2021 Budget with the City Council during the April 28, 2020 work session. In the meantime, please contact me with any questions or comments you may have.

Respectfully submitted,

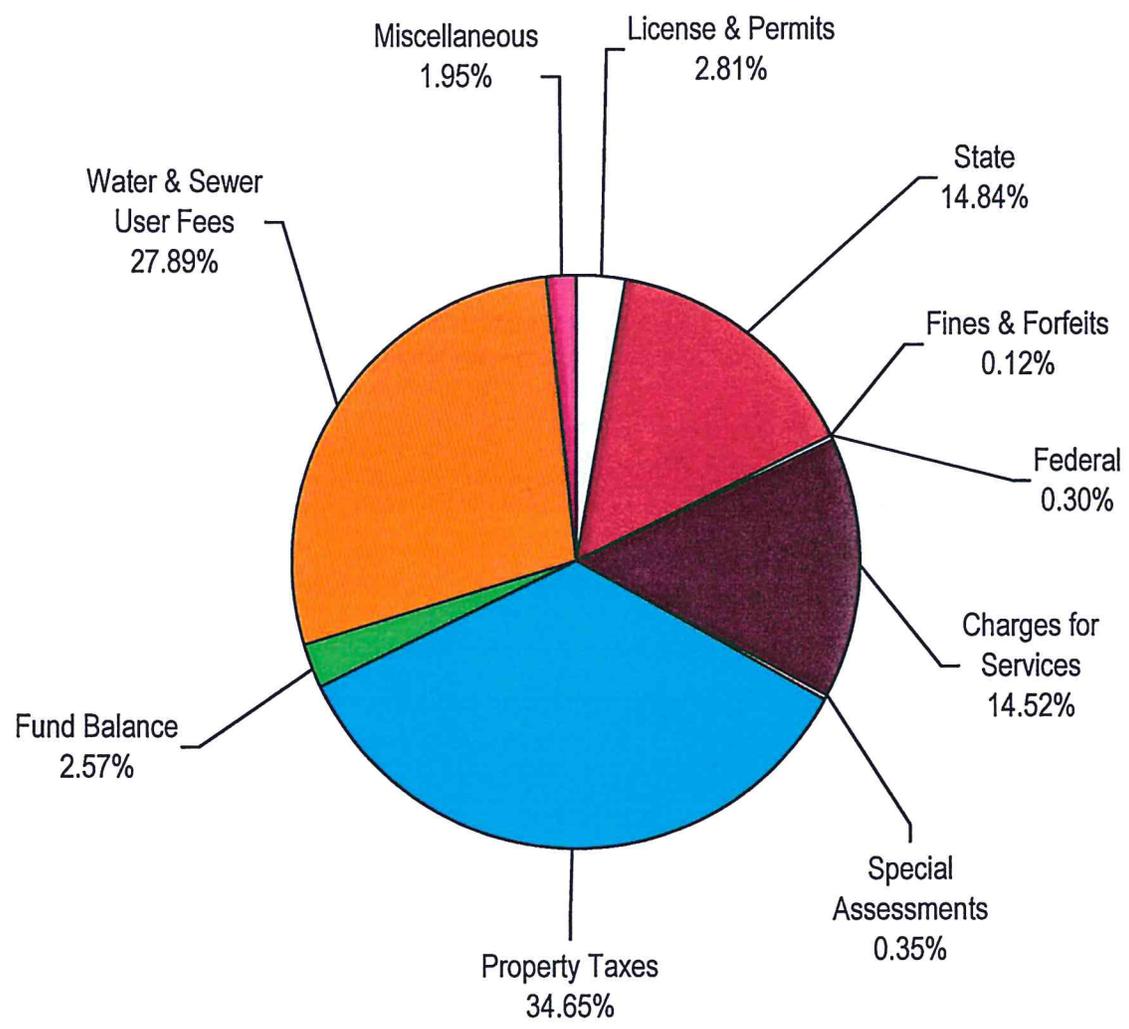


Mark C. Meyers  
City Administrator

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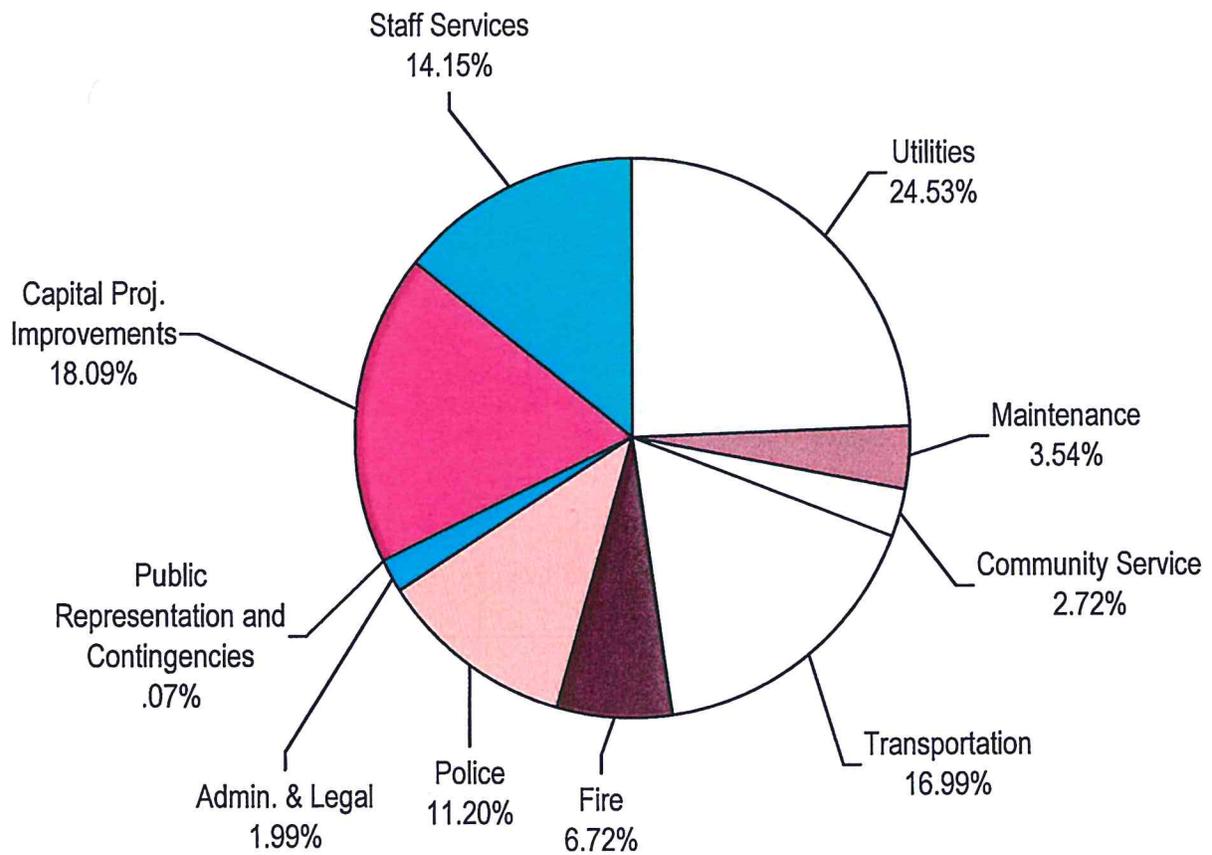
# CITY OF NORTON SHORES PROPOSED FY-2021 REVENUES

"Where It Comes From"  
\$38,643,874 in Net Operating Revenue

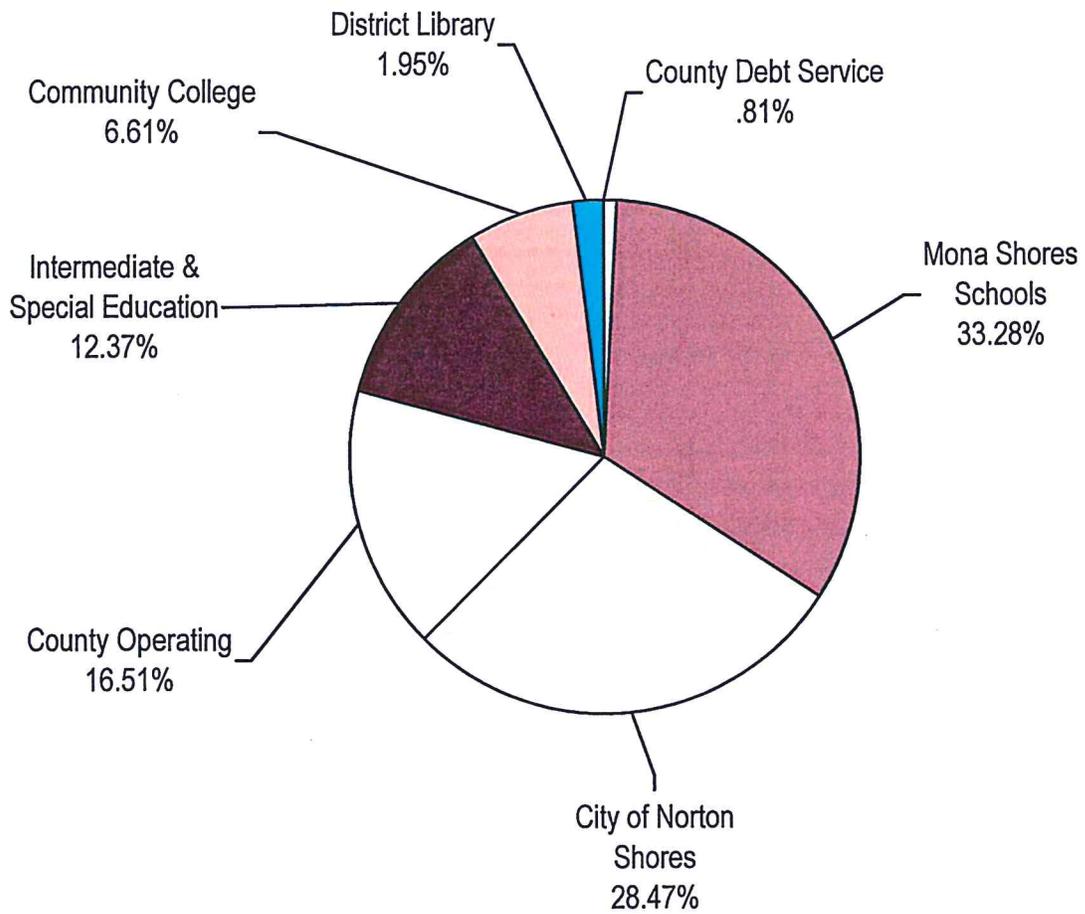


CITY OF NORTON SHORES  
PROPOSED FY-2021 EXPENDITURES

"What Your Dollar Buys"  
\$38,643,874 in Net Operating Expenditures



CITY OF NORTON SHORES  
2021 PROPERTY TAX DOLLAR  
Mona Shores School District  
Proposed Millage  
Homestead Tax



CITY OF NORTON SHORES  
2021 PROPERTY TAX DOLLAR  
Mona Shores School District  
Proposed Millage  
Non-Homestead Tax

