



April 17, 2018

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 2019 Budget.

INTRODUCTION

Fiscal Year 2019 marks another year of property value increases. Last year the increase was 3.10% and this year will be 5%. Again, the Proposal A tax cap measure is a limiting factor. However, this increase is larger than it has been in the past two years. Taxable values will rise 2.1%. The increase in value is due to new construction. 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 \$170,000 for Fiscal Year 2019. This includes continuation of the Tax Increment Finance Authority (TIFA) pass-through. State shared revenue is estimated to increase \$37,916. The mix of revenues and the General Fund remain similar to the 2018 budget with the most significant ones being property taxes at 34.75% (up 2.28%), State Revenue sharing at 16.21% (up 1.91%) and charges for services at 13.77% (up 2.82%). Other revenue includes fees, licenses and permits, investment income and refunds, fines and Federal and State grants.

Constitutional State shared revenues are predicted to increase 0.6% 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 \$34,198. 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 limit. The breakdown of the proposed overall millage rate is as follows:

FUND	MILLAGE RATE Fiscal Year 2019
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 been focused on economic development this past year. A special focus has been placed on redevelopment sites along the Seminole Road Corridor following the adoption of the Seminole Road PlacePlan. Negotiations with Macatawa Bank resulted in the City acquiring title to five of seven vacant sites in the Eastowne Development. Acquisition of the two remaining lots is pending. Staff is currently drafting a Request for Qualifications with the intent to hire a commercial broker to spur development of the sites. Staff also continues to work with the owner of the former Kmart site and is cautiously optimistic that redevelopment may occur in the near future. Staff has met with and communicated with Michigan Economic Development Corporation (MEDC) and Michigan Department of Environmental Quality (MDEQ) officials regarding grants and other incentives to assist in the redevelopment of these sites.

Administrative Services staff continues to manage Human Resources and assist with the recruitment and selection of personnel along with negotiation of collective bargaining agreements. This past fiscal year, with the cooperation of the City’s union groups, the Defined Benefit pension plan was closed and a Defined Contribution plan established for new hires. There are currently 22 employees in the Defined Contribution plan which will greatly assist in reducing future unfunded liabilities.

Managing unfunded liabilities will continue to be a focus in the Fiscal Year 2019 proposed budget. For the fifth consecutive year staff is proposing additional funding above the pension’s 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, it has been nine years since the City Council last developed a strategic plan. Therefore the Fiscal Year 2019 Budget includes an appropriation for a new plan. Many of the highest priorities established in the current plan have been accomplished by the City. Given this, the passage of time and the recent addition of several new members to the City Council, it is my opinion that it would behoove the City Council to concentrate on planning for the City's future.

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 200 new jobs created from 2017 to 2018 among 25 manufacturers. In fact, finding qualified employees is considered one of the biggest challenges to area employers (manufacturer's survey). While 50 jobs will be lost due to Wacker Neuson's closure, their facility will become the new home of TGW who has outgrown its current space. The company currently employs approximately 200 people and may expand the building.

Retail and commercial growth is also strong. This past year new businesses including Wendy's, Jimmy John's and Rx Optical, located on Henry Street, have opened. Also, Port City Pediatrics built a new facility on Farr Road. In addition, a new Biggby Coffee is proposed on Harvey Street.

One area that is down somewhat is new residential construction. During Fiscal Year 2018 eighteen new homes have been constructed. This is approximately half the number of new homes started during the same time period last year. It is my opinion that many of the vacant "in-fill" lots that existed following the recession have been built upon. Further no new single family developments are proposed at this time. However I will note that there are some indications that new multi-family housing developments are being planned.

Overall new construction totaled \$20,350,268 through March 2018. This is less than the previous year which totaled \$26,984,721 year to date. However, it is \$3,300,000 more than 2016 fiscal year-to-date.

Tax Increment Financing Authority

There are several sidewalk improvement projects proposed for the Tax Increment Finance Authority (TIFA) district. These projects include sidewalks in the Norton Industrial Center, Pontaluna Road from the Pontaluna Shores Mobile Home Park to Pontaluna Village, Grand Haven Road from the Norton Industrial Park to Pontaluna Village and Ellis Road from Harvey Street to the cul-de-sac near US-31. Also, as City Council will recall, in the current budget year the street lights in the TIFA district will be converted to LED.

Further, again Fiscal Year 2019 proposes a 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. Again, there is sufficient fund balance in the TIFA fund to complete planned projects.

Parks and Recreation Division

This past fiscal year the City was informed that its grant application through the Coastal Zone Management Program to construct a kayak launch in Black Lake Park was approved. The project is being planned and will go out for bid soon. Due to timing it will be constructed in Fiscal Year 2019. Further, the proposed Fiscal Year 2019 Budget includes replacement of the aging Parks and Recreation Garage. This project has been on a waiting list for some time now. Staff believes that the chronic roof leaks and structural integrity of the building are to a point where replacement is needed.

Police Department

During Fiscal Year 2019 an additional patrol officer position was added after approving an agreement with the Muskegon County Airport and Mona Shores School District to cost share. The additional position allowed the City to, once again, provide law enforcement and security services to the airport. It also allows additional school resource officer services to Mona Shores High School. The contract for services covers 95% of the cost of the new position.

Following the recent school shooting in Parkland, Florida, staff has had discussions with area schools to, perhaps, add one or more school resource officers. Discussions are preliminary at this point and the proposed Fiscal Year 2019 Budget does not include additional officer positions. However, this could be a mid-year budget discussion if the terms of a contract for service were agreed upon. One limiting factor that I'd like to bring to the City Council's attention is recent changes in State law regarding the funding of retiree health insurance. Public Act 202 of 2017 requires pre-funding of retiree health insurance for local government employees who are hired after July 1, 2018. Currently, police supervisors and patrol officers are the only employee groups that receive retiree health care (other groups receive a monetary stipend). We do not know what the financial impact would be for future police department hires until an actuarial study is done and this may limit our ability to fill future vacancies.

The proposed budget includes adding a non-administrative corporal assignment in the POINT Division. The span of control under the lieutenant in command is 14 officers and assigning a working supervisor role will assist in efficient day-to-day operations of the POINT Division. The additional cost is approximately \$2,277.

The proposed budget includes additional marine patrol services. The Muskegon County Sheriff Department has cut their marine patrol and, fortunately, the additional patrol officer position provides an opportunity whereby the school liaison officer will have time to spend on marine patrol services during the summer months.

Fire Department

The current fiscal year saw a mid-year adjustment in the way the Fire Department is staffed. Previously, part-time personnel worked full-time station duty hours. Those positions, equal to nine full-time equivalents (FTEs), were replaced with full-time personnel. This was done at a very reasonable cost and will improve services through avoidance of empty shifts.

Building Division

As mentioned previously, the economy continues to be strong. After the recession a number of positions had been cut in the Building Division to align with the decline in construction projects. This year the part-time Construction Inspector position was brought back. This has greatly assisted the Building Official in keeping up with inspections.

During Fiscal Year 2019 staff will review the fee schedule as it has not been evaluated for some time. Some fees currently 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 street systems. Following is a proposed list of road reconstruction, resurfacing and sidewalk projects by fund:

TIFA FUND

- Gateway Boulevard – sidewalk
- Grand Haven Road, Pontaluna Road to Gateway Boulevard – sidewalk
- Mt. Garfield Road, Grand Haven Road to US-31 – sidewalk
- Mt. Garfield Road, Harvey Street to Crosswinds Drive - sidewalk
- North Gateway Boulevard – sidewalk
- Norton Center Drive - sidewalk

CAPITAL IMPROVEMENT FUND

- Mona Lake Trail, Getty, Broadway, Vulcan, Sherman – bicycle/pedestrian trail
- Padelt Street, Seminole Road to Norton Avenue – sidewalk
- Seminole Road at Mona Shores High School – crosswalk

LOCAL IMPROVEMENT FUND

- Broadway Avenue, Getty Street to Bailey Street – reconstruction

MAJOR STREET FUND

- Forest Park Road, Stryker Drive to Harbor Point Drive – resurfacing
- Lake Harbor Road, Forest Park Road to Seminole Road – resurfacing
- Grand Haven Road, Nina Lane, Pontaluna Road, Wellesley Drive, Winslow Court – drainage improvements

MUNICIPAL ROAD FUND

- Applewood Lane, Norton Hills to south end cul-de-sac – resurfacing
- August Road, Henry Street to Hile Road – resurfacing
- Broadway Avenue, Getty Street to Bailey Street – reconstruction match
- Butler Drive, Norton Avenue to Norton Avenue – resurfacing
- Cambridge Drive, Highgate Road to Wellesley Street – resurfacing
- Clearwater Street, Hendrick Road to Porter Road – resurfacing
- Cleveland Avenue, Bailey Street to Worden Street – resurfacing
- Columbus Avenue, McCracken Street to Leon Street – resurfacing
- Hess Street, Sunset Lane, Garden Avenue – resurfacing
- Nob Hill Drive, Ritter Hills Drive south – resurfacing
- Norton Hills Road, Seminole Road to Norcrest Drive – resurfacing
- Plymouth Drive, Airport Road to Highgate Road – resurfacing
- Quainton Road, Highgate Road to Wellesley Street – resurfacing
- Sarasota Court, Nob Hill Drive to Nob Hill Drive – resurfacing
- Southwood Drive, Wittkopp Street, Castle Avenue, Meta Street – resurfacing
- Wealthy Street, Thompson Street to Cherry Avenue – 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 Padelt Street from Seminole Road to Norton Avenue in conjunction with the High School crosswalk grant project. Also, sidewalk will be constructed along Lake Forest Drive from Seminole Road to Oakway Drive near the library.

Water and Sewer Division

The following projects are proposed for Fiscal Year 2019 by fund:

WATER FUND

- Arbor Avenue, Griesbach Street, Reneer Avenue – water main replacement
- Bonneville Drive to Mona Shores Middle School – water loop
- Glade Street – emergency water interconnect
- Miller Street, Randall Road to Lake Drive – water main replacement

SEWER FUND

- Broadway Avenue – lift station improvements
- Ellis Road – section of sanitary sewer replacement
- Henry Street (3180) – lift station pump replacement
- Lakeshore Boulevard – lift station controls rehabilitation
- Lincoln Street – lift station controls rehabilitation
- McCracken Street – sewer rehabilitation/lining
- Peninsula Drive – lift station pump replacement

Building and Grounds Division – Cemetery

Several improvements have been made in the past few years to the Norton Cemetery. For Fiscal Year 2019 staff proposes to improve snow removal with the purchase of a dedicated pickup truck with back blade. Also, staff continues to work with the Muskegon County Airport on potentially purchasing additional property for an expansion of the cemetery. The Perpetual Care Fund which has a balance of \$673,028 would be utilized to fund these projects.

Solid Waste Division

The Fiscal Year 2019 proposed budget maintains the current 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. Also, the spring clean-up event is funded through the millage.

Equipment Replacement Program

The proposed Fiscal Year 2019 Budget recommends the replacement of several pieces of large to mid-sized equipment through the Equipment Revolving Fund. The most notable pieces include a tractor boom mower, streets crack sealing machine, asphalt hot box trailer and a tractor mower for the cemetery. Again, as a reminder, 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.

Capital Improvement Program

The proposed Fiscal Year 2019 Budget contains a complete listing of proposed projects. However, several notable projects are highlighted below:

POLICE DEPARTMENT

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| • Taser Replacement | \$ 21,900 |
| • Automatic Electronic Defibrillator Replacement (7) | \$ 9,450 |
| • Speed Trailer Replacement | \$ 15,000 |

- Powder Safety Work Station \$ 9,996
- Men’s Locker Room Remodel/Repair \$ 9,500

FIRE DEPARTMENT

- Thermal Imager Replacement (2) \$ 20,000
- Public Safety Training Center Props (carryover) \$ 13,000
- Side Scan Sonar Replacement (carryover) \$ 42,000
- Search and Rescue Drone \$ 6,600

PARKS & RECREATION

- Kayak Launch & Parking Area (grant carryover) \$ 139,000
- Ross Park Maintenance Garage Roof Replacement and Expansion \$ 35,850

PUBLIC WORKS DEPARTMENT

- Sidewalk Repair & Construction \$ 211,000
- Gravel Road Improvements \$ 62,000
- Parks and Recreation Garage Replacement – debt service \$ 48,096
- Assessing Office Window Replacement (12) \$ 16,800
- Crosswalk – Mona Shores High School (grant carryover) \$ 42,000
- Library HVAC System \$ 375,000
- Cemetery Improvement (Perpetual Care Fund)
 - Phase II Land Acquisition (carryover) \$ 115,000
 - Pickup Truck with Plow \$ 40,000

STAFF SERVICES

- Enclosed Trailer \$ 5,000
- Multi-unit Voting Booths (10) \$ 9,000

Managing Unfunded Accrued Liabilities

As stated previously, this issue has received a great deal of time and attention especially over the past two years. City Council, staff and employees have worked hard to lower costs of retirement benefits and retiree health care benefits. With the cooperation of the unions all collective bargaining agreements were reopened and the Defined Benefit pension plan was closed. A Defined Contribution plan was developed for new hires and, again, there are currently 22 employees in this plan. Also, all employees under a Defined Benefit plan are now contributing to that plan through payroll deduction. Additionally, for future retirees (effective July 1, 2017) who qualify for retiree health care, the City may adjust those plans based on changes in active employee’s health care. Lastly, during Fiscal Year 2018 a three-year actuarial

study was performed on OPEB. Thanks to the City's many efforts, the OPEB liability has been reduced by \$16.4 million which reflects a 40% reduction.

With regard to funding, the proposed Fiscal Year 2019 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 \$260,000 toward OPEB funding with \$100,000 coming from the General Fund and the balance from non-governmental funds.

FINAL NOTES

The proposed Fiscal Year 2019 General Fund Budget is a balanced budget. In fact, it includes adding \$200,000 to the unrestricted fund balance. Over the past four years the fund balance has been spent down, largely due to additional funding toward unfunded liabilities. The current fund balance is 15% of annual expenditures. I would like to increase that to 20% within the next 3-5 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 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 2019 Budget with the City Council during the April 24, 2018 work session. In the meantime, please contact me with any questions or comments you may have.

Respectfully submitted,

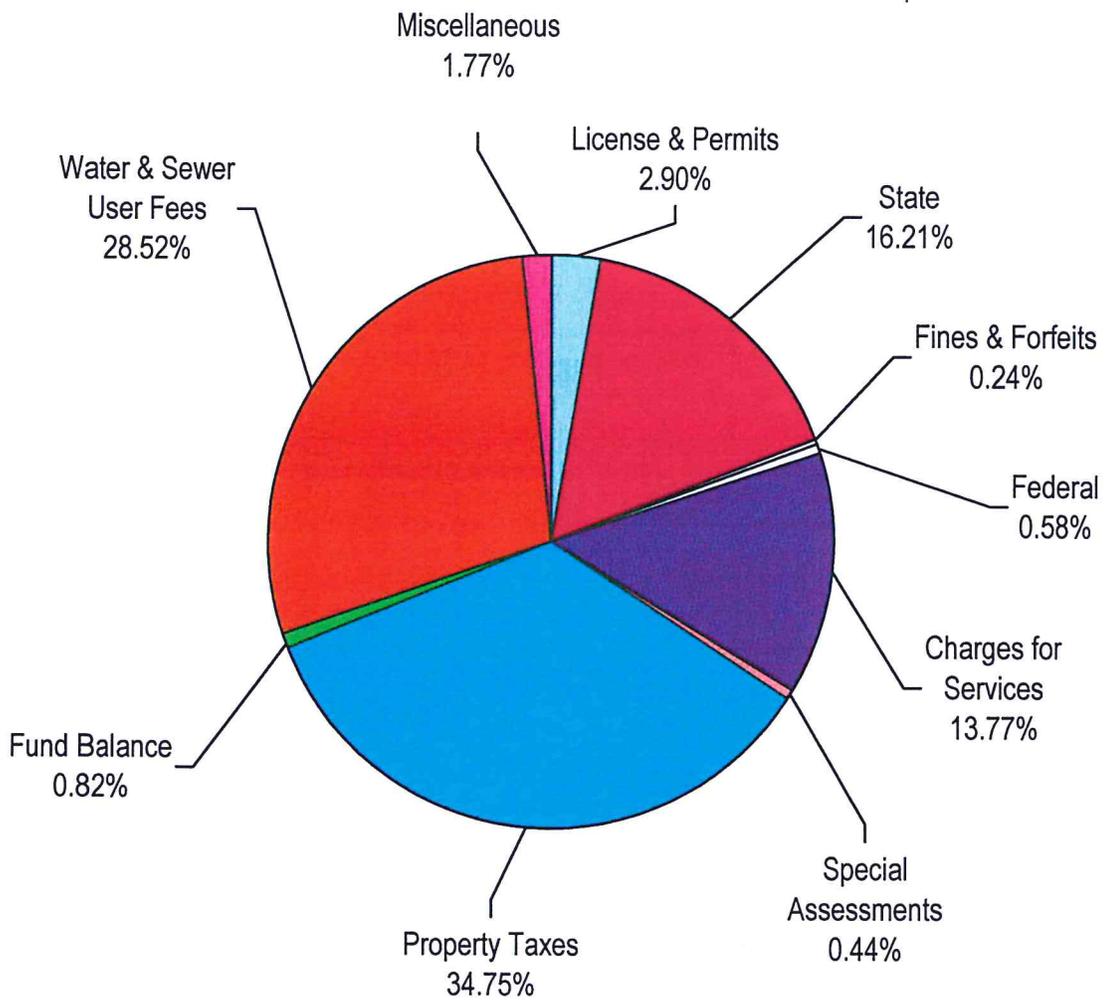


Mark C. Meyers
City Administrator

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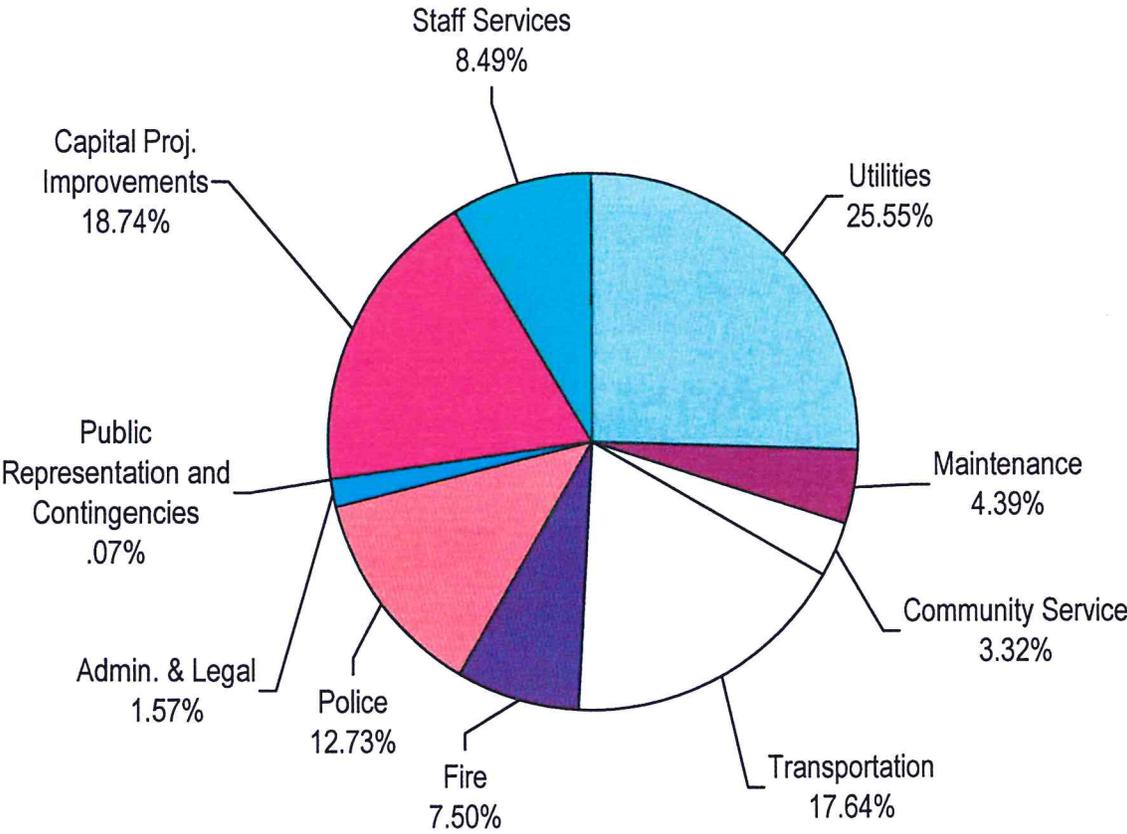
CITY OF NORTON SHORES
PROPOSED FY-2019 REVENUES

"Where It Comes From"
\$30,273,918 in Net Operating Revenue

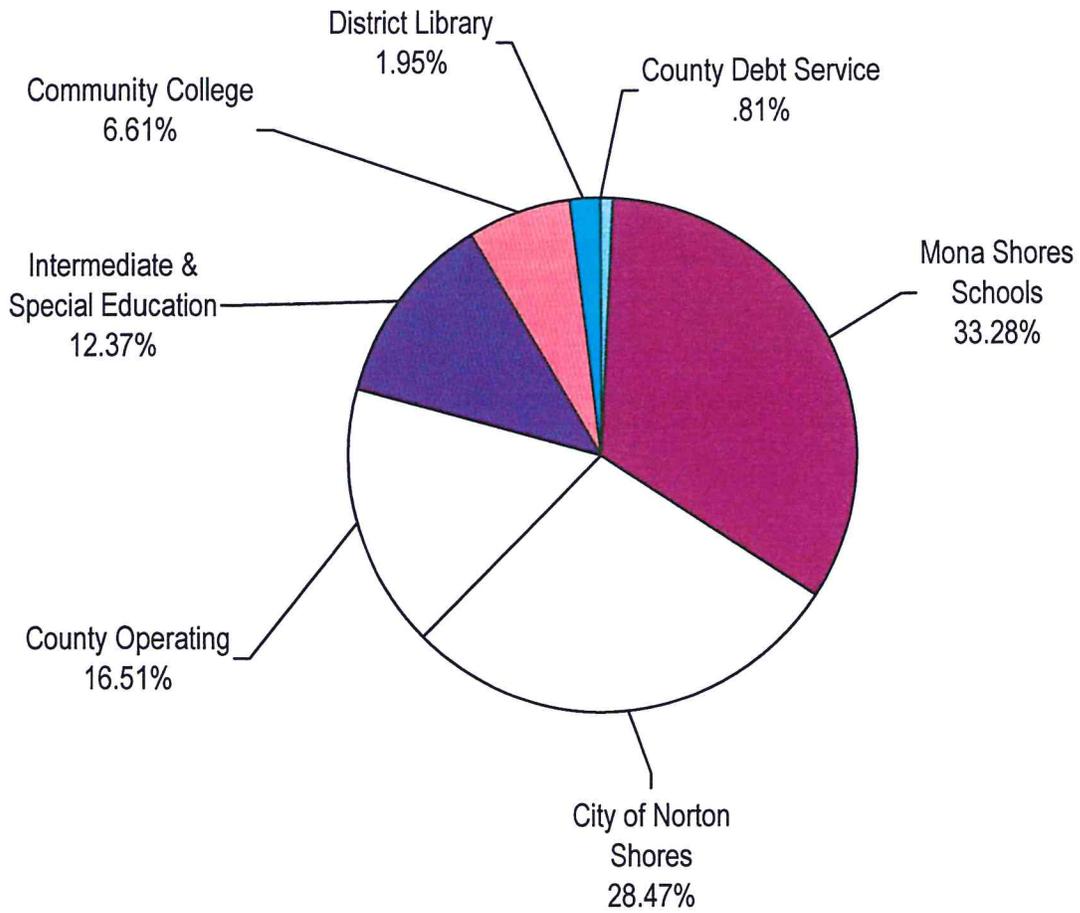


CITY OF NORTON SHORES
PROPOSED FY-2019 EXPENDITURES

"What Your Dollar Buys"
\$30,273,918 in Net Operating Expenditures



CITY OF NORTON SHORES
2019 PROPERTY TAX DOLLAR
Mona Shores School District
Proposed Millage
Homestead Tax



CITY OF NORTON SHORES
2019 PROPERTY TAX DOLLAR
Mona Shores School District
Proposed Millage
Non-Homestead Tax

