MANISTEE CITY COUNCIL
WORK SESSION AGENDA

Tuesday, February 10, 2015 - 7:00 p.m. - Council Chambers, City Hall

I. Call to Order.

II. Work Session Items.

a.) PUBLIC COMMENTS ON WORK SESSION RELATED ITEMS.

b.) JOINT DISCUSSION WITH AD HOC STREET COMMITTEE ON THEIR FINAL REPORT – City Manager Mitch Deisch and Finance Director Ed Bradford.

c.) DISCUSSION ON ANNUAL STRATEGIC PLAN UPDATES – City Manager Mitch Deisch and Alliance for Economic Success.

d.) DISCUSSION ON PENINSULA DISTRICT – City Manager Mitch Deisch and Planning & Zoning Administrator Denise Blakeslee.

III. Adjourn.

MDD:cl

MEMO TO: Mayor Colleen Kenny
Members of City Council

FROM: Mitch Deisch, City Manager

DATE: January 28, 2015

SUBJECT: Strategic Plan Review 2/10/15 Work Session

City of Manistee

City Manager's Office
231-398-2801

During the summer of 2007 City Council embarked upon the development of a Strategic Plan for the City of Manistee. Prior to 2007 City Council annually engaged in traditional goal setting sessions (50+ ideas of what needed to be done, 3 dots which generated 20+ priorities).

The change from goal setting to strategic planning is like night and day. Goal setting resulted in 20 or more areas that Council and staff wanted to address but did not focus on the bigger picture of where the community wanted to go and how best to get there. That is the purpose of strategic planning.

In 2007 the Alliance for Economic Success (AES) worked cooperatively with Council, and the public to prepare our first Strategic Plan and every year since the AES has assisted with revising the plan. Again this year, the AES will be assisting the City on reviewing and revising the Strategic Plan beginning Tuesday, February 10, 2015 at the regular Council work session scheduled for that evening.

MDD:cl

MEMO TO: Mayor Colleen Kenny

FROM: Mitch Deisch, City Manager

DATE: January 28, 2015

SUBJECT: Peninsula District

City of Manistee

City Manager's Office
231-398-2801

During a recent meeting Council directed staff to add the Peninsula District Findings of Fact to the February 10, 2015 Council work session agenda for further discussion.

Planning and Zoning Administrator Denise Blakeslee will be making a brief presentation to Council regarding a timeline of events, overview of zoning changes, dimensional changes, and number of parcels brought into compliance.

Following the Council discussion, staff is seeking direction on the Findings of Fact and specifically whether or not Council wants to include shipping under special use permits.

MDD:cl

City of Manistee

Final Report of the Ad Hoc Street Committee

January 22, 2015

Contents

Introduction 1
Ad Hoc Street Committee 1
City Street Information 2
Funding Level Needed 3
Recommendations 4
- Headlee Override 4
- Future Millage 4
- Capital Improvement Fund 4
- Oil & Gas Fund 5
- General Fund 5
- Adequacy of Funding 6

Other Potential Future Funding Sources 8
- State Funding 8
- Water & Sewer Projects 8

Conclusion 9
Approval of Ad Hoc Street Committee Report 9
Appendices 10
Endnotes 10

Introduction

The condition of City streets and how to upgrade the street network became a significant topic of concern in mid-2013. The City had previously created a state-recognized Street Asset Management Plan in 2008. This plan helped to systematically guide the City's Transportation Improvement Plan (hereinafter "TIP"). The plan was updated as scheduled (every five years) in late 2013. The update identified a pressing need to find additional revenue to invest in the street network in order to simply maintain its current condition.

On December 10, 2013, City administration made an extensive presentation regarding the 2008 Street Asset Management Plan and 2013 update of the plan, including treatment and funding options.

On March 4, 2014 Council adopted a Strategic Plan. The plan included the following strategy:

> Strategy 2.1.3 Develop a plan that will increase revenue toward addressing necessary upgrades to both local and major streets. The plan will look at options for increasing revenue, potentially identify which streets need to be upgraded and will include Staff, City Council and resident input."

On March 11, 2014, City administration made a presentation to City Council as a follow-up to the adoption of the strategic plan focusing on street benchmarking data and possible options for funding a TIP.

On April 15, 2014 City administration provided another update on street issues. It recommended following the steps outlined in the City's street asset management plan. It also discussed the amount of money needed to make meaningful difference in streets, current funding limitations and the impact of a possible Headlee override. Council directed administration to go back and come up with a plan to fund street improvements.

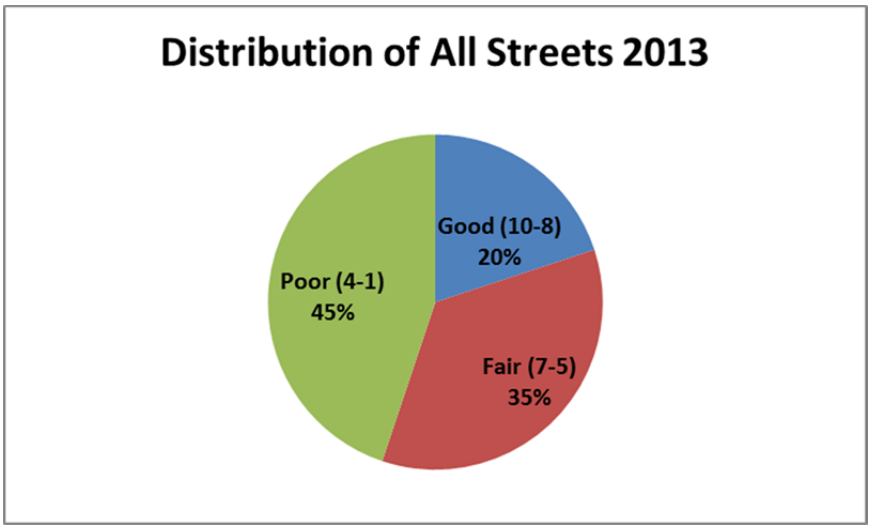
On June 10, 2014, City administration presented and discussed a five-year TIP that identified a need for a minimum of $600,000 in annual investment. The plan identified a property tax increase in the form of a Headlee override as the most viable way to fund such a program, absent any additional funding from the State.

Ad Hoc Street Committee

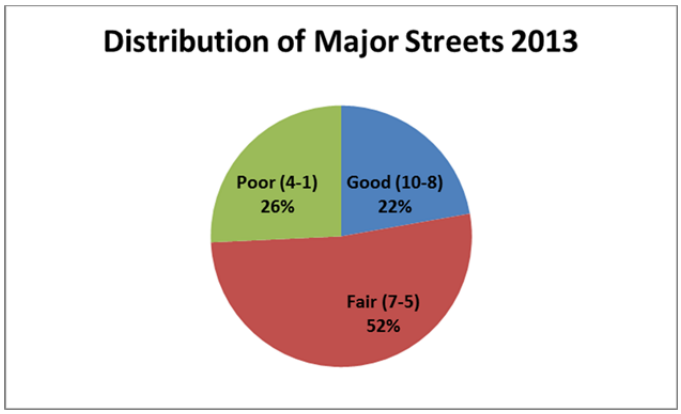
The Ad Hoc street committee was appointed by City Council at their July 1, 2014 meeting. The purpose of the Committee was to discuss upgrading the City street network, how to it might be paid for, and educating the public about the street network and funding challenges. Subsequently, the Committee has met five times. The notes from each of these meetings are included in the appendix to this report. Throughout the process, Administration has served as a resource to the Committee, not as a voting member. The recommendations contained herein are those of the Committee and do not necessarily constitute the views of Administration.

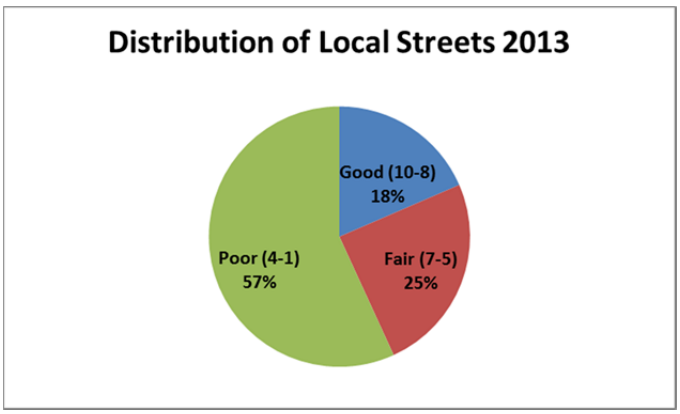
City Street Information

The City has 18.4 miles of Major Streets and 29.4 miles of local streets for a total of 47.8 miles. The 2013 PASER rating data shows that the distribution of the condition of all streets is:

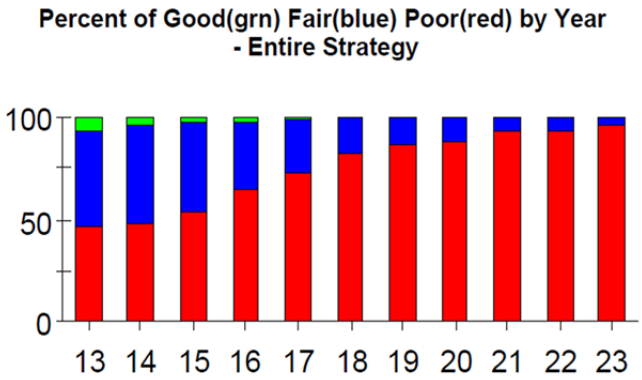


This can further be broken down by Major and Local Streets.





City administration has calculated that the street network will rapidly deteriorate over the next 10 years if no rehabilitation and\or reconstruction is undertaken. This can be seen in the chart to the right, where the percentage of poor roads escalates dramatically over this period. We are at a critical point in the life cycle of our overall street network. Strategic investments of the right magnitude today will save hundreds of thousands of dollars in the long run. Delay will cause further deterioration and drive up costs.



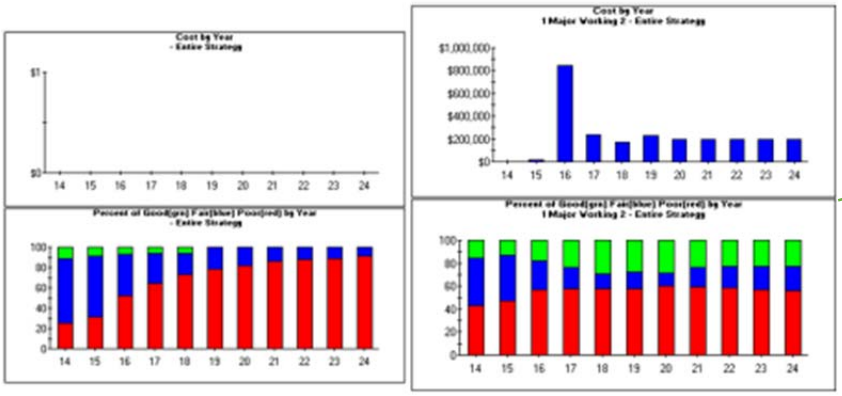
Funding Level Needed

City administration has concluded that $600,000 of annual funding would be needed to maintain the street network in roughly its current condition, with some small level of improvement likely. The plan calls for a minimum of $200,000 per year for Major Streets and $400,000 per year for Local Streets. The $200,000 will be obtained from existing funding for Major Streets, primarily due to a bond issue expiring which frees up debt service payments for rehabilitation. The $400,000 for Local Streets would have to be raised from new or reallocated revenue sources. The projected impact on City streets at these funding levels is shown below.

Impacts - Major Streets

Projected condition with $200,000 annual investment
23% Good, 21% Fair, 55% Poor

Do Nothing

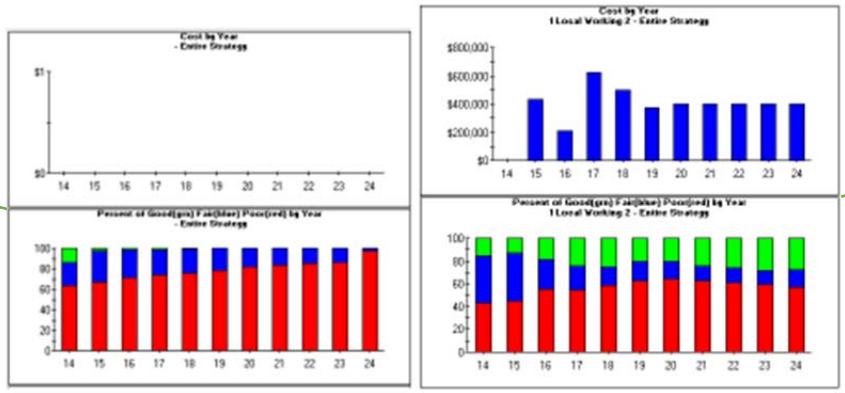


$200,000 Annual Investment

Impacts - Local Streets

Projected condition with $400,000 annual investment
28% Good, 16% Fair, 56% Poor

Do Nothing



$400,000 Annual Investment

The recommended level of funding was communicated to City Council in a comprehensive presentation. The number was also presented to the Committee and served as a basis for which to structure the discussions. There was a consensus that these figures were grounded in the best information that we have available and has been calculated using industry-standard and accepted tools and techniques.

Recommendations

After reviewing the available data, asking questions of City administration and having lengthy discussions over the course of several months, the Committee makes the following recommendations to City Council regarding funding a City TIP.

Taken in total, the recommendations represent a "hybrid" approach to funding the TIP that uses multiple sources of revenue. This approach allows for work to begin in the summer of 2015, which the Committee unanimously concluded was critically necessary to demonstrate progress to the public.

Headlee Override[i]

The Committee unanimously feels that a full Headlee override (hereinafter "millage") of 2.2388 mills would fail if presented to the public for a vote. The consensus is that some of the public simply cannot afford any more taxes and that the Citizens want Council to prioritize roads and try to fund them thru existing revenue sources. The Committee wants to see Council have some "skin in the game."

Recommendation: Do not pursue a millage at this time. The Committee was unanimous on this recommendation.

Future Millage

In order to generate sufficient funding, the Committee believes that a millage request would be necessary at some point in the future. If Council can show the public that they are making progress on the roads thru a hybrid funding approach, they may be more receptive to approving a smaller millage in the future. The committee discussed a possible 1 mill increase dedicated to local streets (to the degree permissible by law).

Recommendation: Consider a smaller millage request in the future once progress is shown and the overall funding situation becomes clearer.

Capital Improvement Fund

The Committee unanimously feels that capital improvement funds should be used to help improve the streets. The fund was discussed at length, including its current and estimated future funding, current obligations and the current fiscal year budgeted projects. There was some questioning about the wisdom of past expenditures, particularly the Ramsdell Theatre capital projects and the debt service support for the Municipal Marina. However, the Committee agreed that we must honor the past obligations and instead look towards the

future. There was also discussion about the fact that this fund was designed to be the primary source of funding for capital improvement projects City-wide, and that there are no alternative sources of funding. Notwithstanding that, there was consensus that this should be a significant source of ongoing funding for City streets and the TIP.

Recommendation: Commit at least 80% of unobligated oil & gas contributions to the capital improvement fund on an annual basis to help fund improvements to City streets thru the TIP. This would generate at least $55,000 the first year. The Committee is unanimous on this recommendation.

Recommendation: As obligations expire, evaluate the appropriate additional amount to be spent on City streets thru the annual budgeting process.

Recommendation: Use 50% of the unallocated Capital Improvement Fund reserves as a boost for funding the TIP. This would be limited to the first year and would generate about $37,000.

Oil & Gas Fund

The Committee discussed the Oil & Gas fund at length and whether it should be tapped to fund City streets and the TIP. There was significant discussion on this issue. The Committee requested several pieces of additional information from City administration, including an opinion from the Oil & Gas fund investment advisor on the sustainability of the current investment policy and spending rule. The Oil & Gas Board also weighed in on the matter and has taken a position that increasing the spendable amount would not be in the best interest of the community. The Committee did not reach a consensus on this issue. Some of the Committee felt that the amount of money coming from the Oil & Gas fund should be increased for a few years until other funding sources could be lined up. Others felt that the existing spending rule should be maintained and that no additional funds should come out of the Oil & Gas fund because that would negatively impact the fund and resources for the future.

Recommendation: Increase the Oil & Gas spending rule allocation from 4% to 4.5% for up to five years and use the additional revenue for the TIP. This would generate about $46,000 the first year.

General Fund

The Committee discussed the use of general fund resources to fund the TIP. It was suggested that in addition to the general fund contribution to ongoing routine street maintenance, an additional allocation could be made to help fund the TIP. A figure of 2% of the general fund was discussed, which would be about $120,000 in the first year. The Committee suggested several areas that Council might review, including operating support for the Ramsdell Theatre and Appropriations; and out a few years, operating support for the community pool and freed-up City Hall bond payments.

Recommendation: Commit at least 2% of the annual general fund budget to the TIP through the annual budgeting process. This would generate approximately $120,000 the first year. It is up to Council to determine how this would be funded in the context of the overall budget.

Adequacy of Funding

The Committee acknowledges that our recommended course of action does not generate the additional $400,000 annually for local streets ($600,000 total funding) that City administration has indicated is needed to maintain and start improving our overall street network. Nevertheless, the Committee feels strongly that raising the additional $400,000 to start is asking too much and that a more phased in and incremental hybrid approach is preferred, even though this means the street network will continue to decline at the start.

Recommendation: The Committee recommends using the hybrid approach laid out in the recommendations to begin funding the TIP. The Committee's recommendations would provide the funding at the levels shown on the chart on the next page.

Hybrid Street Funding Approach

	Year 1	Year 2	Year 3	Year 4	Year 5
Fiscal Year	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Construction Season	2015	2016	2017	2018	2019
Major Streets: Target $200,000 per year in resources available					
Major Street Fund					
Expired Bond	$ 145,000	$ 145,000	$ 145,000	$ 145,000	$ 145,000
Annual Budget	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000
Headlee Override (millage)	none anticipated at this time				
Capital Improvement Fund (annual O&G revenue)	$ -	$ -	$ -	$ -	$ -
Capital Improvement Fund (one time reserves)	$ -	$ -	$ -	$ -	$ -
General Fund	$ -	$ -	$ -	$ -	$ -
Oil & Gas (increase spending rule .5%)	$ -	$ -	$ -	$ -	$ -
Total	**$ 200,000**	**$ 200,000**	**$ 200,000**	**$ 200,000**	**$ 200,000**
Percent of target	**100%**	**100%**	**100%**	**100%**	**100%**
Local Streets: Target $400,000 per year in resources available					
Local Street Fund	$ -	$ -	$ -	$ -	$ -
Headlee Override (millage)	none anticipated at this time				
Capital Improvement Fund (annual O&G revenue)	$ 55,000	$ 55,000	$ 55,000	$ 88,000	$ 88,000
Capital Improvement Fund (one time reserves)	$ 37,000	$ -	$ -	$ -	$ -
General Fund	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000
Oil & Gas (increase spending rule .5%)	$ 46,000	$ 46,000	$ 46,000	$ 46,000	$ 46,000
Total	**$ 258,000**	**$ 221,000**	**$ 221,000**	**$ 254,000**	**$ 254,000**
Percent of target	**65%**	**55%**	**55%**	**64%**	**64%**
Funding Shortage	**$ 142,000**	**$ 179,000**	**$ 179,000**	**$ 146,000**	**$ 146,000** [ii]

Other Potential Future Funding Sources

State Funding

In late 2014, both the Senate and House passed versions of enhanced street funding. The Senate plan replaced the existing gas tax regime with a 15.5% wholesale tax that would be increased over 4 years and designed to generate $1.2 to $1.5 billion in additional road funding. The House plan was very different. It would eliminate the sales tax on gasoline and implement a 13.5% wholesale gas tax over a six year period. The plan was designed to generate about $1.0 billion and be revenue neutral. It would ensure that all taxes paid at the pump go to roads. However, the loss of sales tax could have a potentially serious negative impact to schools and local units of government by adversely impacting revenue sharing.

A Senate-House conference committee was convened to hash out the differences. The Committee ultimately recommended a complex plan composed of a ballot proposal and several changes in the law. The ballot proposal would:

- Raise sales and use tax from 6% to 7%.
- Eliminate sales tax on motor fuel.
- Remove higher education from the School Aid Fund.
- Amend the use tax distribution.

The statutory changes (effective only if the ballot measure passes) would:

- Switch to a percentage based wholesale tax on motor fuel.
- Increase the percentage based wholesale tax.
- Make changes to registration fees for vehicles and heavy trucks.
- Make transportation related reforms for warranties and competitive bidding.
- Restore the Earned Income Tax Credit (EITC).
- Apply sales tax on internet sales (Main Street Fairness).

If the ballot measure passes, the package would generate $1.2 billion in new revenue for roads. This would have a significant positive impact on City street finances.

Water & Sewer Projects

The recently adopted water and sewer rate study anticipates moving the water and sewer utility into a financial position where it is ultimately funding depreciation and paying for most capital projects with cash instead of debt. Assuming that this plan is advanced and materializes as planned, this will mean that a significant amount of water and sewer lines will be rehabilitated or replaced starting in FY 2021. This type of work involves tearing up streets to access the lines and reconstructing them once the work is complete.

Conclusion

The issue of funding a TIP is a complex and important decision for the City of Manistee. No one should underestimate the magnitude of the challenge. The Street Ad Hoc Committee has reviewed the issues and advanced its recommendations to City Council thru this report. As future budgets are prepared and spending priorities identified, the Committee hopes City Council finds value in the recommendations and takes steps to implement them as appropriate.

Approval of Ad Hoc Street Committee Report

Lynda Beaton Lynda Beaton Date 1-27-15

Ed Cote Date 1-27-15

Gerald Haw Gerald R. Haw Date 26 JAN 2015

Bob Hornkohl Bob Hornkohl Date 1-26-15

* Colleen Kenny Colleen Kenny Date 2/3/15

Joseph Maxey Date 1-30-15

Jeremy Nowak Date 1-26-15

Roger Zielinski Roger L Zielinski Date 1-28-2015

* Please see signatory statement on following page

*

SIGNATORY STATEMENT BY MAYOR COLLEEN KENNY:

While I agree with the overall concept of creating a long term plan of improving the overall street network, and the creation of a hybrid funding mechanism; I cannot support the recommendations regarding allocation or percentage of funds from the Capital Improvement Fund, a 2% General Fund contribution or increasing the Oil and Gas Fund Spending Rule to 4.5%. These recommendations would seriously impede future City Councils from providing necessary services to the citizens of Manistee.

Appendices

Minutes of the December 10, 2013 City Council worksession

Minutes of the March 11, 2014 City Council worksession

Minutes of the June 10, 2014 City Council worksession

June 10, 2014 Presentation to City Council on City Streets

Notes of the 7-28-2014 Ad Hoc Street Committee

Notes of the 8-13-2014 Ad Hoc Street Committee

Notes of the 9-10-2014 Ad Hoc Street Committee

Notes of the 11-13-2014 Ad Hoc Street Committee

Notes from the 1-13-2015 Ad Hoc Street Committee

Letter from Oil & Gas Fund Investment Advisor Bartlett & Co.

Resolution from Oil & Gas Board regarding management of the Oil & Gas Fund

Endnotes

[i] The term "Headlee Rollback" became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment to the Constitution of the State of Michigan of 1963. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit's millage rate is "rolled back" so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation. A "Headlee override" is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people, and is necessary to counteract the effects of the "Headlee Rollback."

[ii] These projections are quite conservative. It assumes the following:

- Major & Local Street funding is flat for the planning horizon.
- Taxable value is flat for the planning horizon.
- Spending Rule allocations to Capital Improvement fund are flat for the planning horizon.
- Water & sewer construction that also improves streets is not included.
- Excludes crack sealing and sidewalks.

Funds previously committed to streets:

- $81,000 annually from Major Street fund for Cedar Street Local Orphan Streets expiring in 2031
- $72,000 annually from Capital Improvement fund for First Street expiring in 2031

MANISTEE CITY COUNCIL
WORK SESSION
MINUTES OF DECEMBER 10, 2013

The Manistee City Council met in a work session on Tuesday, December 10, 2013 at 7 p.m. in the Council Chambers, City Hall, 70 Maple Street, Manistee, Michigan 49660.

MEMBERS PRESENT: Colleen Kenny, Eric Gustad, Bob Hornkohl, Catherine Zaring, Ed Cote, Robert Goodspeed, Mark Wittlieff

MEMBERS ABSENT: None

OTHERS PRESENT: Department Directors, Media and Public

Discussion on the 2008 Street Asset Management Plan. City Manager Mitch Deisch, DPW Director Jeff Mikula and Finance Director Ed Bradford made a comprehensive presentation to Council on the updated Street Asset Management Plan, current street conditions, benchmark data of similar communities, financial/budget realities and briefly discussed potential options for generating additional revenue for future road projects.

Future discussion with staff, Council and residents will be required to determine how the City moves forward with street improvements.

Adjourned at 8:50 p.m.

Respectfully submitted,

Mitchell D. Deisch, City Manager

MDD:cl

MANISTEE CITY COUNCIL
WORK SESSION
MINUTES OF MARCH 11, 2014

The Manistee City Council met in a work session on Tuesday, March 11, 2014 at 7 p.m. in the Council Chambers, City Hall, 70 Maple Street, Manistee, Michigan 49660.

MEMBERS PRESENT: Colleen Kenny, Eric Gustad, Bob Hornkohl, Catherine Zaring, Ed Cote, Robert Goodspeed, Mark Wittlieff

MEMBERS ABSENT: None

OTHERS PRESENT: Department Directors, City Attorney, City Engineer, Media and Public

Discussion on Fireworks Ordinance. City Attorney George Saylor and Public Safety Director Dave Bachman discussed several alternatives in regard to regulation of consumer fireworks. Significant discussion was had between Council and Staff. Two options were identified by Councilmembers: 1.) limit fireworks except for the week around the Fourth of July, except between the hours of 1 a.m. to 8 a.m., and except for the three days surrounding national holidays. 2.) Limit time that fireworks can be shot off between 11 p.m. and 8 a.m., except for the three days surrounding the national holidays.

The majority of Council felt the second option was the best choice. City Attorney will prepare the revised ordinance and it will come back to Council before the Fourth of July weekend.

Discussion on Twelfth and Oak Street. City Manager Mitch Deisch, Public Works Director Jeff Mikula and City Engineer Shawn Middleton discussed proposed plan for Twelfth Street improvements. Representatives from Filer Township, Manistee Area Public Schools, Manistee County Road Commission and Manistee County were also present. Staff discussed the fact that legal research identified that there was not a public right-of-way on the south side of Twelfth Street. Staff discussed the safety issues and maintenance issues.

Council directed staff to work with the other governmental stakeholders and approach the Filer Township property owners about an amenable resolution that would allow the street to be straightened. Staff will set up a meeting with stakeholders to discuss the next step. Councilmembers Hornkohl and Wittlieff both expressed interest on sitting on this ad hoc committee.

Discussion on 2014-2015 Budget Process. City Manager Mitch Deisch and Finance Director Ed Bradford updated Council on the current challenges staff is facing to balance the budget before it is presented to Council. The budget will be available to the Council and the public on Friday, March 21, 2014 and will be presented to Council at their meeting of April 1, 2014.

This is the sixth straight year that taxable value has declined in the City, causing extreme pressure on balancing the budget. City has also had a very large health insurance increase and increased taxes due to the Patient Protection Affordable Care Act (PPACA). Staff is reviewing various options to present a balanced budget to Council. Will need flexibility regarding staffing to balance the budget. Reorganization and attrition position layoffs are on the table as possible ways to balance the budget.

Discussion on Street Funding – City Manager Mitch Deisch, Finance Director Ed Bradford and Public Works Director Jeff Mikula made a brief presentation to City Council regarding street funding options. Discussed how this presentation was a follow-up to the December 2013 presentation and the March 2014 approval of the strategic plan. Main take-away is that without additional revenue, the street network will continue to decline at an alarming rate. Council identified that the only way to generate the amount of revenue that will address the street issues is to have a dedicated millage. Staff will prepare several options looking at a dedicated street millage as well as the use of street funds and how this will impact the overall street network. Options will be presented to Council at an upcoming Council meeting.

Adjourned at 9:15 p.m.

Respectfully submitted,

M Deisch

Mitchell D. Deisch, City Manager

MDD:cl

MANISTEE CITY COUNCIL
WORK SESSION
MINUTES OF JUNE 10, 2014

The Manistee City Council met in a work session on Tuesday, June 10, 2014 at 7 p.m., Council Chambers, City Hall, 70 Maple Street, Manistee, Michigan 49660.

MEMBERS PRESENT: Colleen Kenny, Bob Hornkohl, Catherine Zaring, Ed Cote, Robert Goodspeed, Mark Wittlieff

MEMBERS ABSENT: Eric Gustad

OTHERS PRESENT: Department Directors, City Attorney, City Engineer, Media and Public

Public Comments. Mr. Gary Patulski, 159 Quincy Street read comments to City Council regarding streets. Requested Council place a ballot initiative in front of voters to use oil and gas funds for road upgrades.

Discussion on Street Funding. City Manager Mitch Deisch, Finance Director Ed Bradford, DPW Director Jeff Mikula and Engineer of Record Shawn Middleton made a presentation to City Council regarding street funding options.

Numerous questions were asked by Council and answered by staff. Discussion focused on how to fund the needed street repairs. Staff's recommendation is to request voter support on a Headlee override of approximately 2.4 mills to be dedicated to streets. Council supported this recommendation and directed staff to put together the program, educational materials and ballot language for a November 2014 vote by the public.

Council also directed staff to advertise for a public Ad Hoc Committee to work with Council and staff on this issue. Council will select the Ad Hoc Committee public members.

Adjourned at 8:20 p.m.

Respectfully submitted,

Mitchell D. Deisch, City Manager

MDD:cl

City of Manistee

Street Improvement Plan Update

June 10, 2014

Past Activity

- December 10, 2013 Work Session

  Staff made an extensive presentation regarding the 2008 Street Asset Management (SAM) Plan and 2013 update of plan. Discussed treatment options and funding options.

- March 4, 2014 Council Meeting

  Council adopted the Strategic Plan

  – Strategy 2.1.3 Develop a plan that will increase revenue toward addressing necessary upgrades to both local and major streets. The plan will look at options for increasing revenue, potentially identify which streets need to be upgraded and with include both Staff, City Council and resident input."

Past Activity

- March 11, 2014 Work Session

  Staff provided an update on street issues. Included in update were reviewing asset management plan, benchmarking data and possible funding sources.

- April 15, 2014 Council Meeting

  Staff provided another update on street issues. Recommended following steps outlined in asset management plan. Discussed amount of money needed to make meaningful difference in streets. Discussed funding limitations and impact of Headlee override. Staff directed to go back and come up with plan.

50 Years Ago……

STREET IMPROVEMENT PROGRAM

FOR THE

CITY OF MANISTEE, MICHIGAN

PRELIMINARY ENGINEERING REPORT

March 5, 1963

NORTHERN ENGINEERING ASSOCIATES
P.O BOX 156
MANISTEE, MICHIGAN

STREET IMPROVEMENT PROGRAM
FOR THE
CITY OF MANISTEE, MICHIGAN

I INTRODUCTION

At the request of City Manager Arthur Bergquist, we have prepared this preliminary report on a proposed Street Improvement Program for the City of Manistee, Michigan.

Because of a lack of adequate funds for street improvement for several years, many of the main thoroughfares and residential streets of Manistee have deteriorated to rather poor conditions. If proper remedial action is not taken in the very near future, the unit cost of reconditioning will be much higher than it would presently be.

It is recognized that the capital cost of a complete street rehabilitation program at this time would be prohibitive, even under Federal assistance programs. For this reason, it is felt that a schedule must be set up to allow a portion of this work to be completed each year until the total program can be accomplished.

We have, therefore, prepared this preliminary report suggesting which portion of the work should be included in the plans for 1963 and which portion should have action deferred until a later date.

Current Status

- Staff has applied asset management principles in looking at the street network
- Explored a ten year plan
- Recommending an initial 5 year plan with a rolling 5 year Transportation Improvement Plan (TIP)
- Plan anticipates funding provided by potential Headlee Override

Asset Management Plan Process

- 1. Assess Current Conditions (Paser)
- 2. Select Appropriate Treatments
- 3. Estimate Treatment Costs & Budget Constraints
- 4. Predict Future Condition of Street Network
- 5. Establish Street Network Goals & Performance Measures
- 6. Evaluate Impact of Various Treatment Alt.
- 7. Identify, Prioritize & Select Projects

Identify, Prioritize and Select Projects

- Conditions of road base
- Traffic data
- Future water and sewer work
- Future known projects
- Condition of curb and gutters
- Economic impact
- Dispersion of projects in neighborhoods
- Mobilization of contractors
- Safety issues
- Engineering

Identify, Prioritize and Select Projects

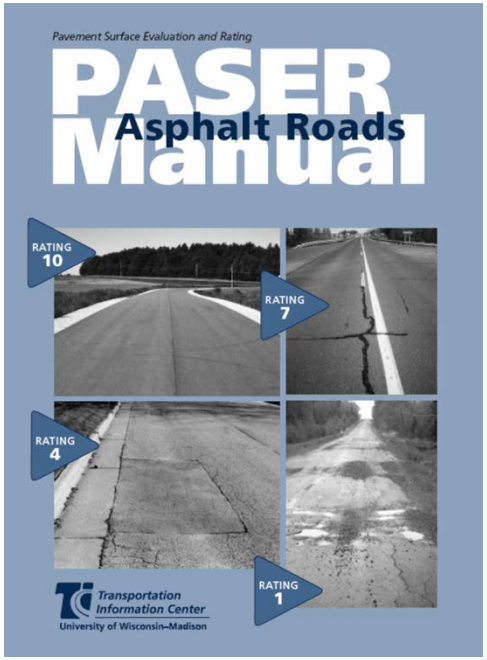
- Analyzed Roadsoft Data
- Drove all the streets and evaluated curb and base conditions
- Extracted water system improvement from General Plan
- Extracted sewer improvements from SSES
- Interviewed staff

Identify, Prioritize and Select Projects

- Included MDOT Small Urban Grant
- Public Safety input
- Grouping projects for economies of scale
- Dispersing projects throughout the City

Roadsoft Used to Model Impacts

- Roadsoft looks at entire network
- Develops strategies for overall network – <u>not street specific.</u>
- Can be a useful tool but does not replace engineering judgment and input.
- Helpful in monitoring progress and determining how to spend street dollars.



Roadsoft Used to Model Impacts

- Developed MODEL categories of treatments

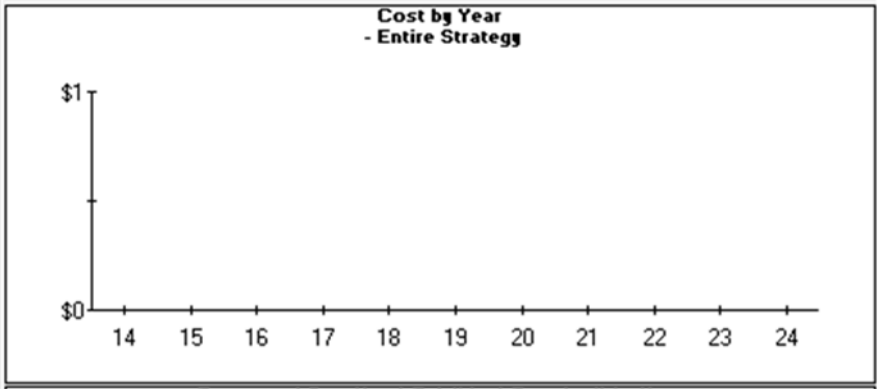
Category	Cost Per Lane Mile
Preventative Maintenance	$3,200
Light Rehabilitation	$29,000
Heavy Rehabilitation	$122,000
Heavy Rehabilitation with Storm	$412,000
Reconstruction	$457,000
Reconstruction with Storm	$549,000

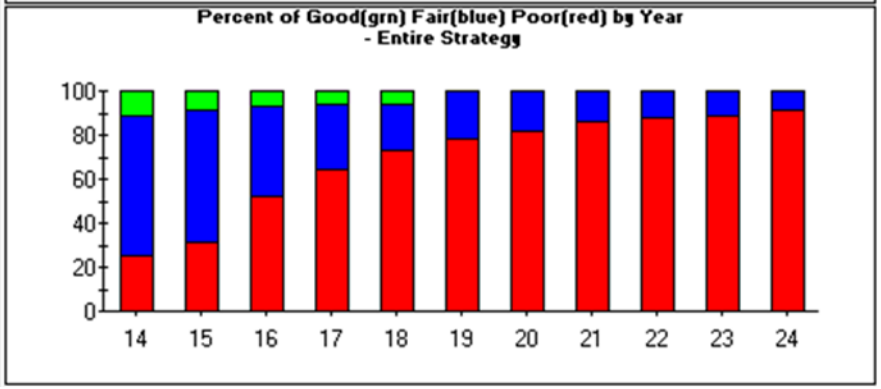
Roadsoft Used to Model Impacts

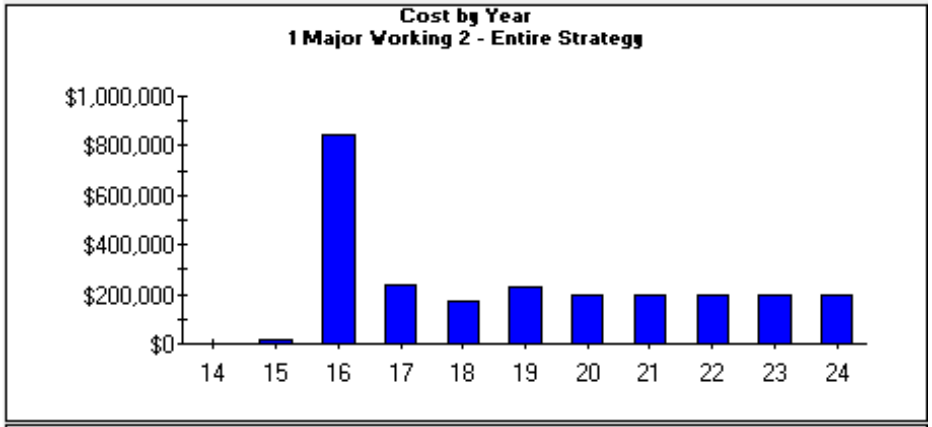
- 10 year time frame is challenging
  - How will the streets age?
  - How will our treatments hold up
  - What will State funding look like
- Reliability drops off as you get further out
- Looked at $400,000 in Local Street funding
- Looked at $200,000 in Major Street funding.
- Does not include any additional ACT 51 funding

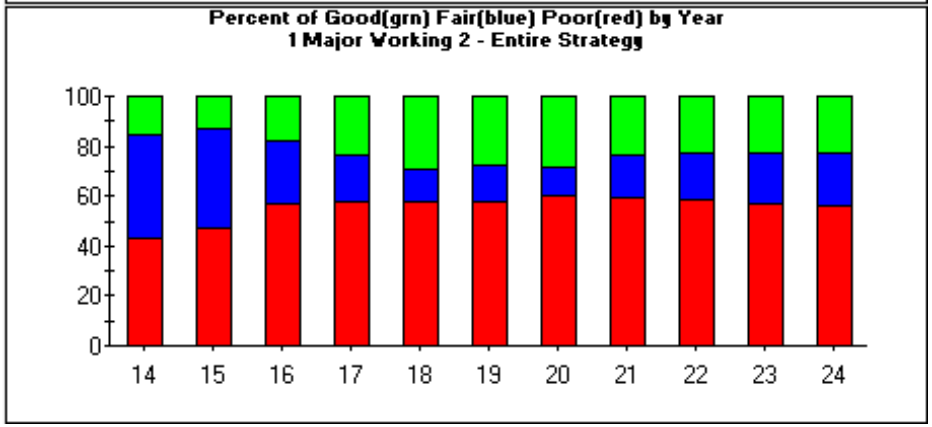
Impacts - Major Streets

Projected condition with $200,000 annual investment
23% Good, 21% Fair, 55% Poor





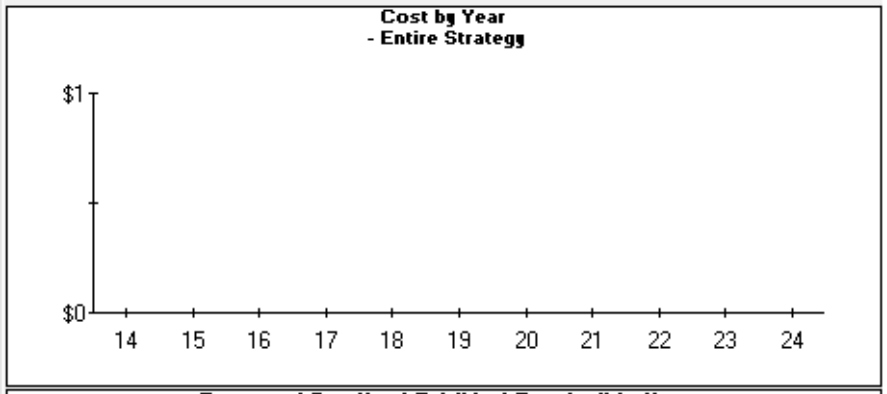


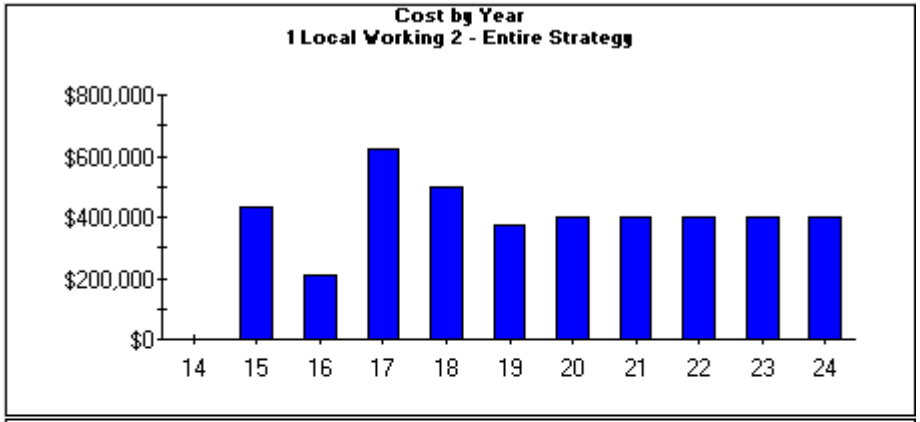


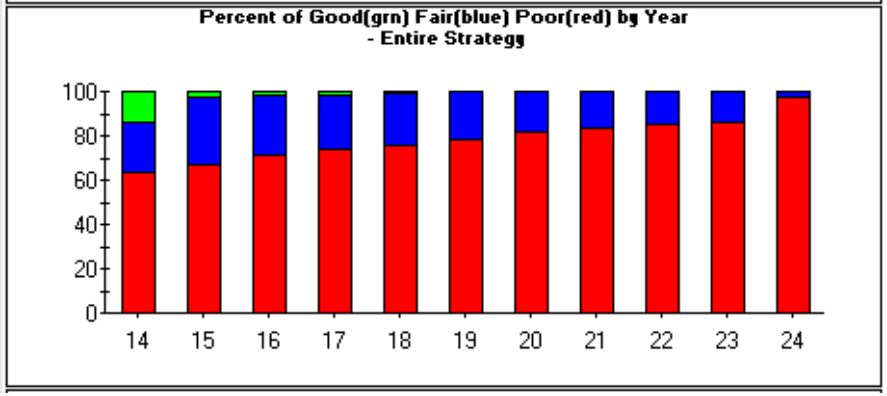
Impacts - Local Streets

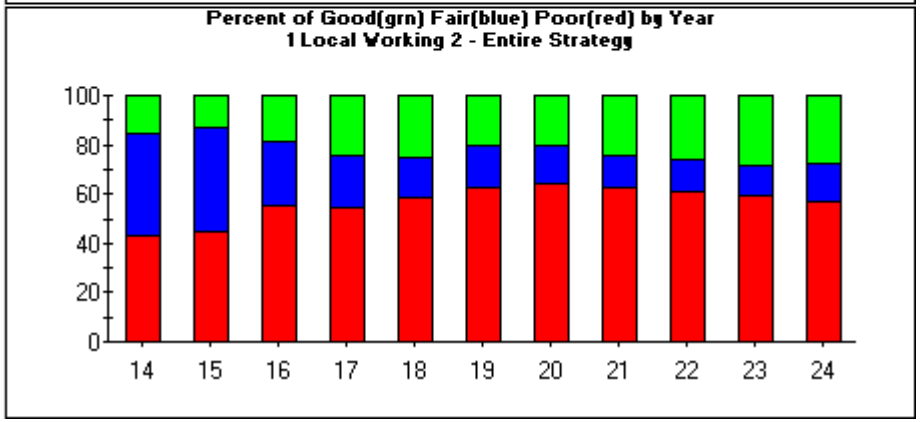
Projected condition with $400,000 annual investment

28% Good, 16% Fair, 56% Poor





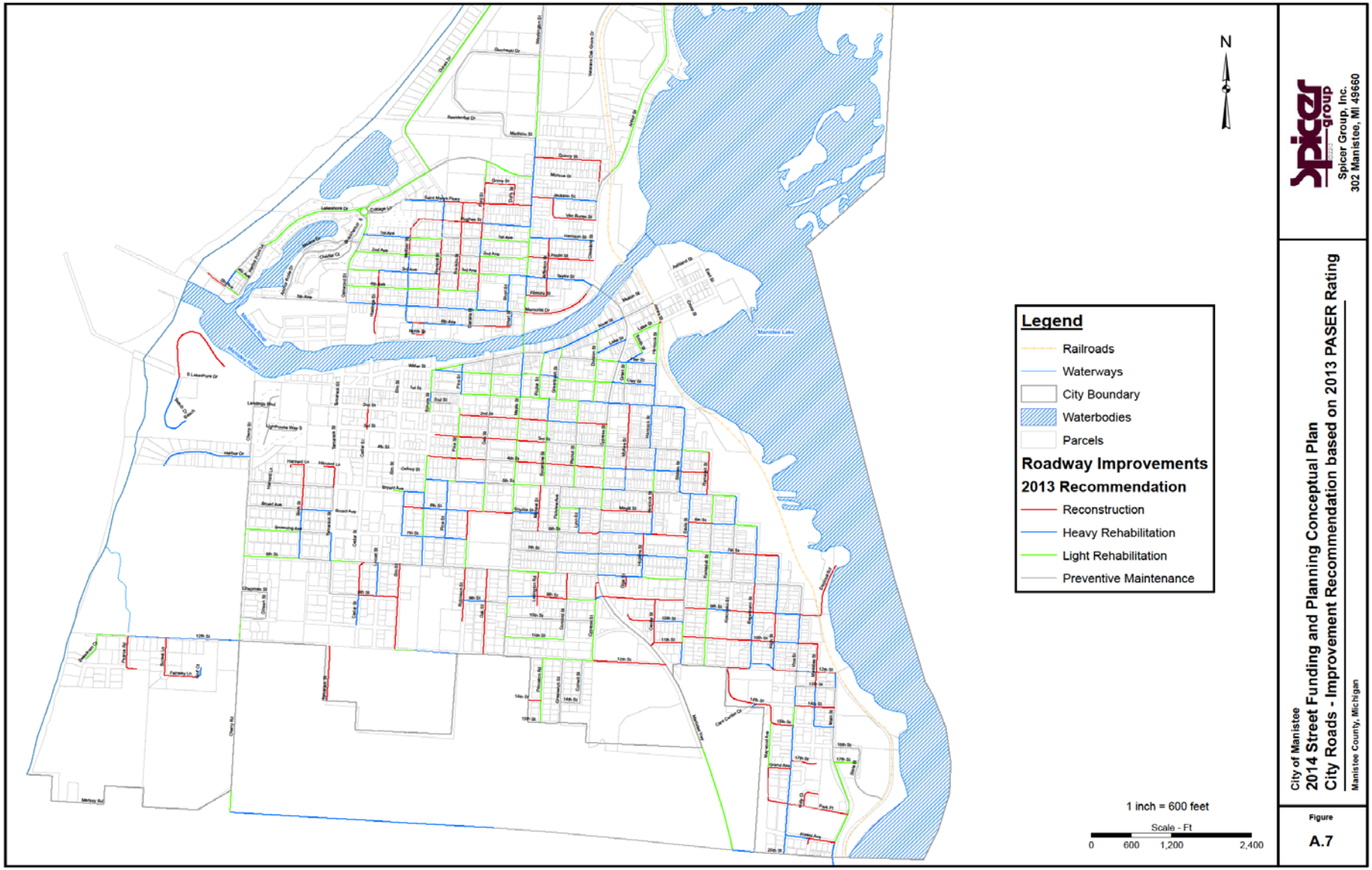




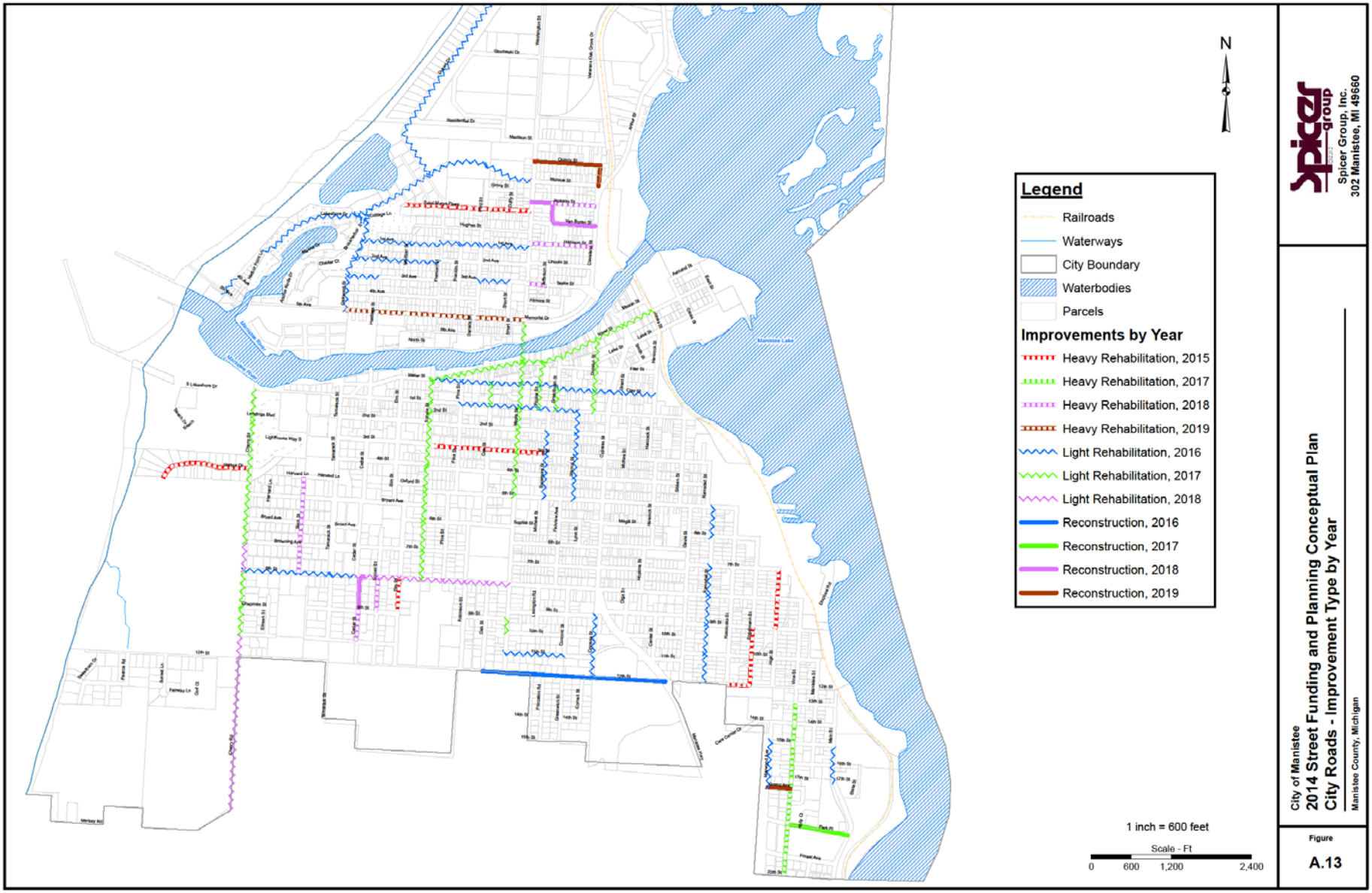
Transportation Improvement Plan (TIP)

- Initial Recommendations from Roadsoft is to treat streets improved 5-10 years ago
- First 5 years includes
  - Crack sealing all candidates
  - Improving segments which are approaching CDP
  - Leverage utility funds in years 4 and 5
- Substantial utility funds become available in year 6-10

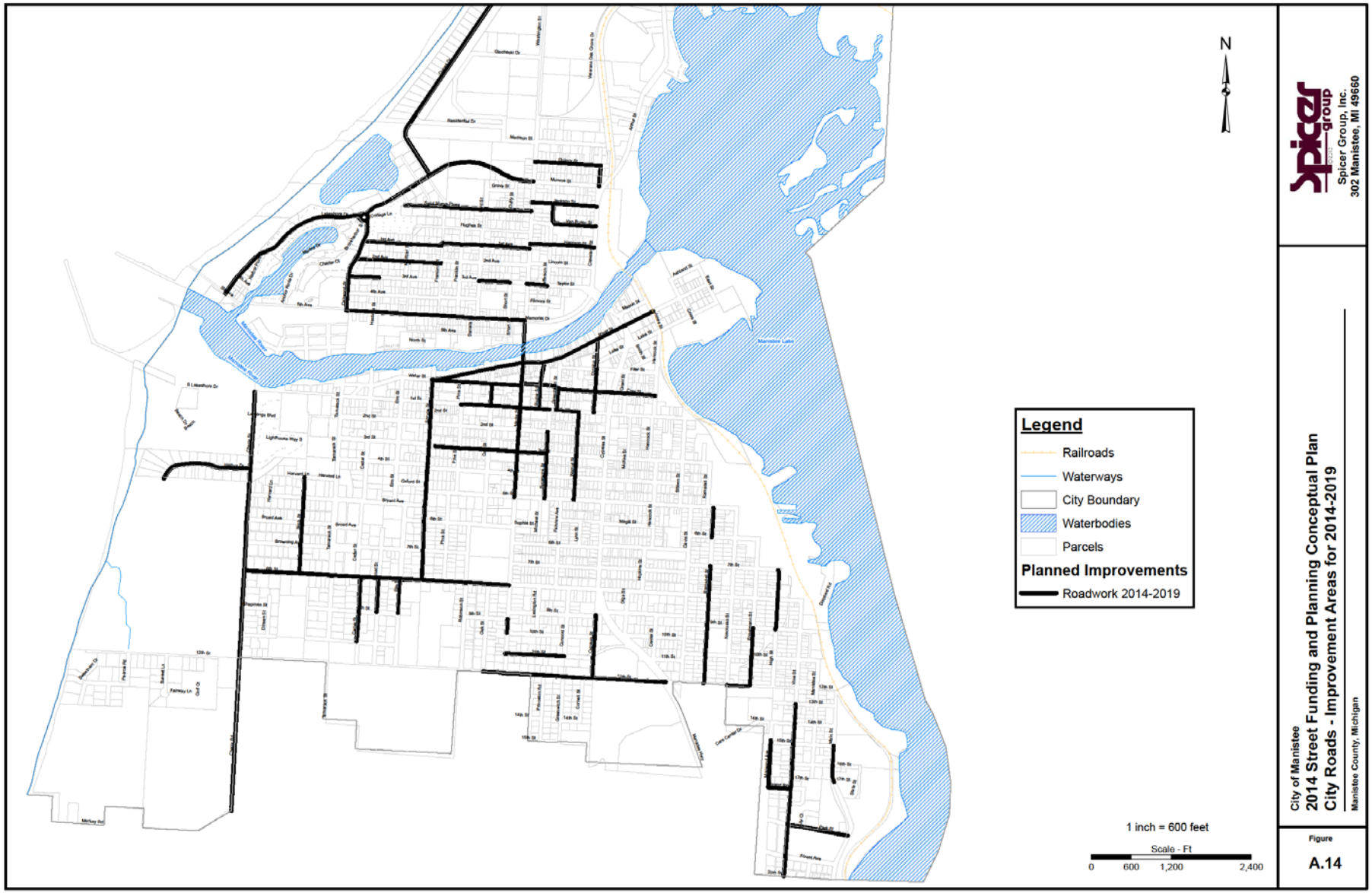
2013 Paser Recommended Treatments



2014-2019 Recommended Improvements by Treatment Method and Proposed Year

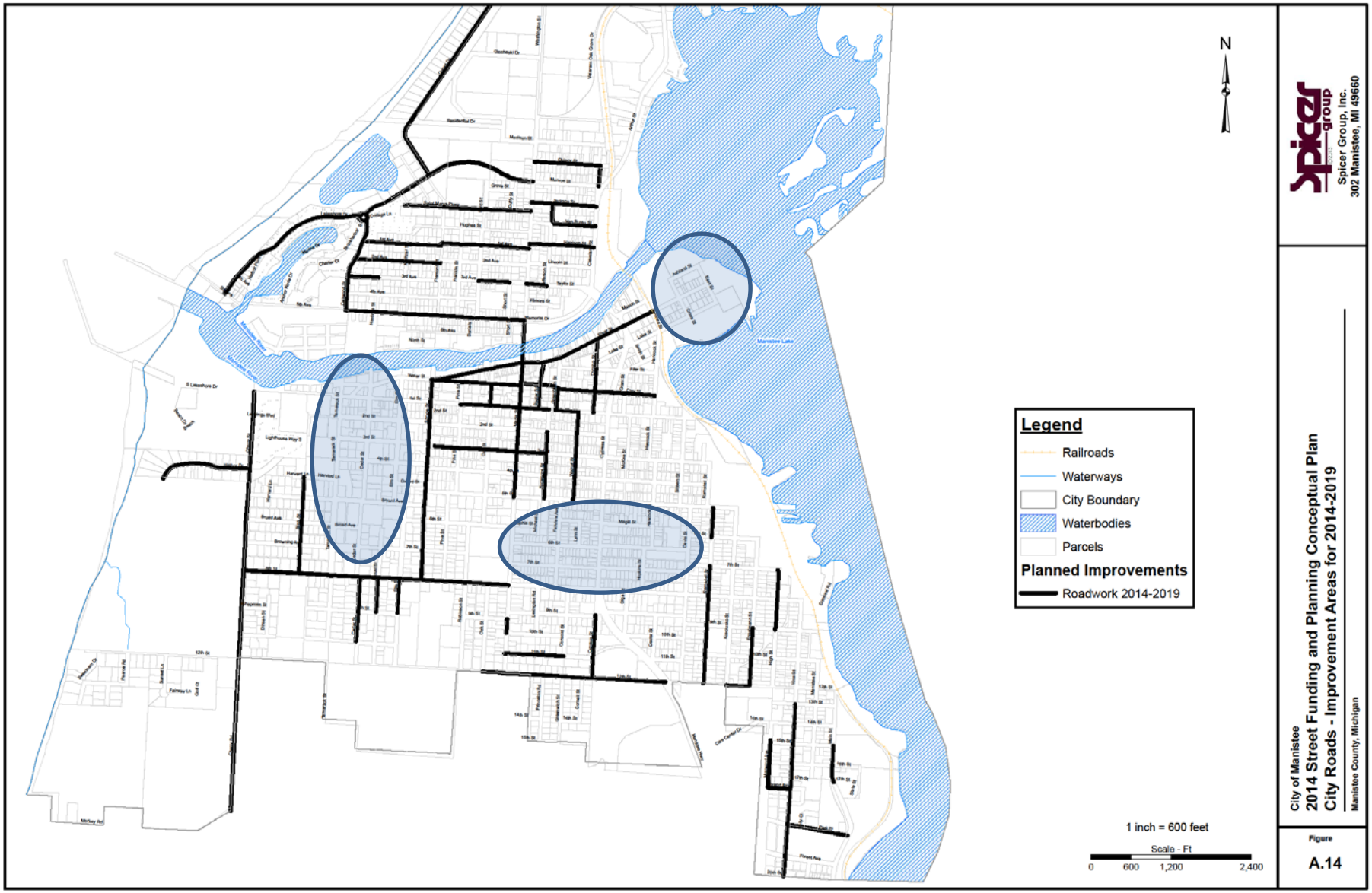


Proposed Improvements 2014-2019 - All Treatments

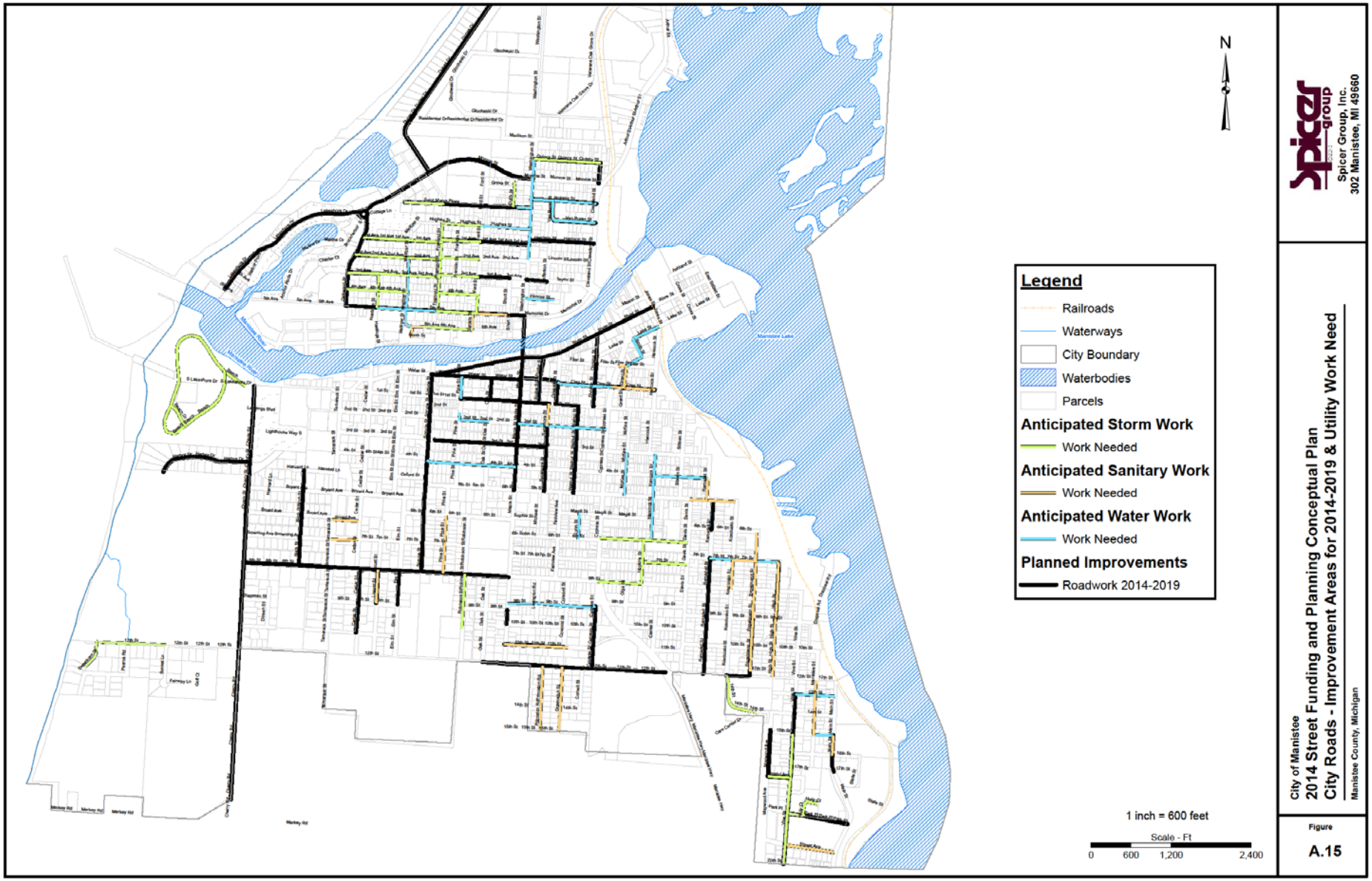


Proposed Improvements 2014-2019 - All Treatments

Combined Sewer Separation Projects



Proposed 2014-2019 Improvements and Anticipated Utility Projects



Example 1 – Street Requiring Preventative Maintenance

Example 2 – Street Requiring Light Rehabilitation

Example 3 – Street Requiring Heavy Rehabilitation

Example 3 – Street Requiring Heavy Rehabilitation

Example 4 – Street Requiring Reconstruction

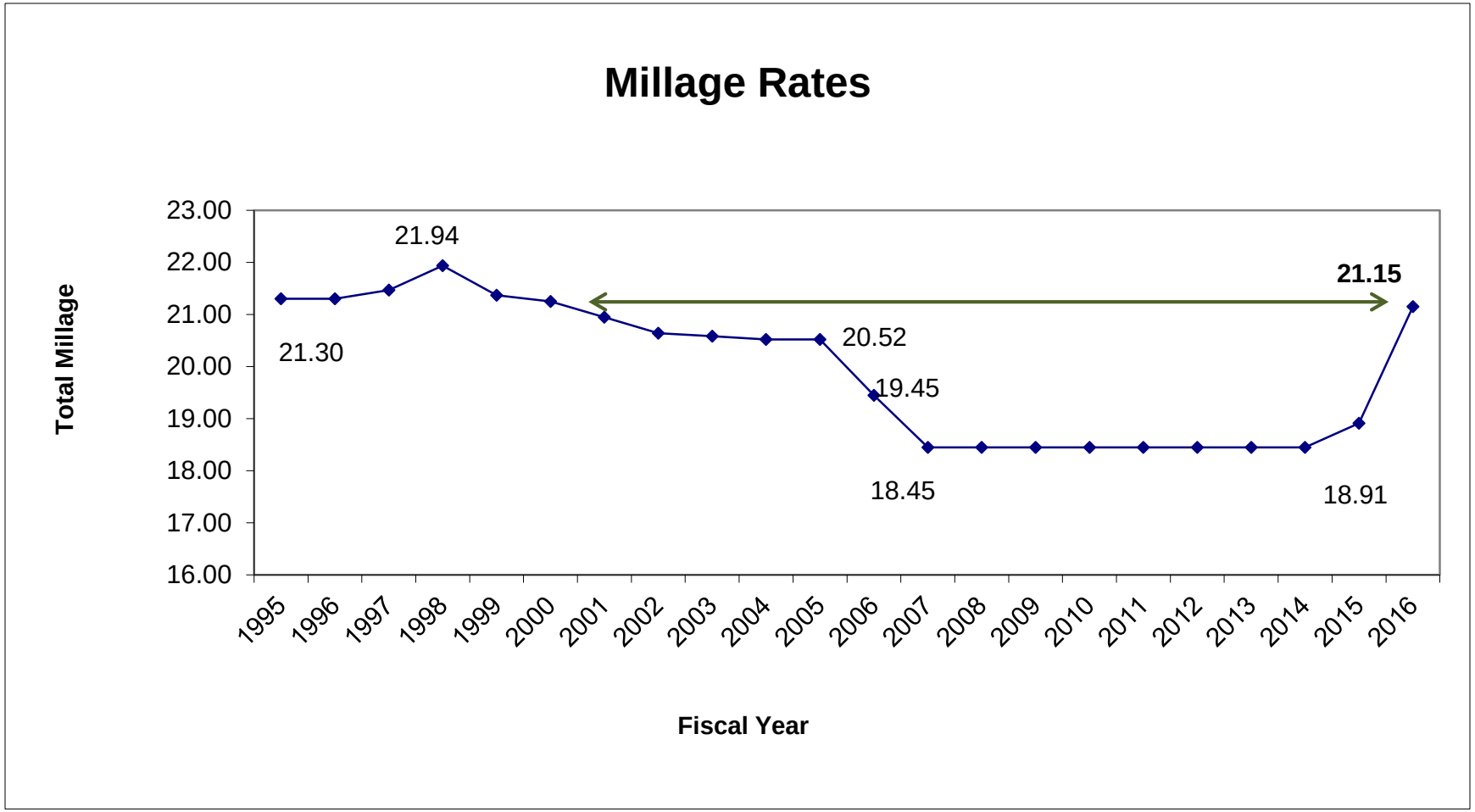
How Do We Fund Improvements?

- Headlee Override is most viable
  - lets the voters decide
  - returns the millage to the amount originally authorized via charter
- Manistee's Charter is a 20 mill maximum
- 2014-2015 budget levied 17.7612
- Headlee override to reinstate up to the 20 mill limit would provide for 2.2388 mills that could be designated for street improvements
- Would generates about $395,000 for streets

How Do We Fund Improvements?

- Bond Issue
  - Finance improvements over a number of years
  - could be based on Headlee override OR a voted millage
- Accelerates work - must be done in three years
- Example: $4,000,000, 10 Year bond
  - Pay $900,000 in interest over 10 years
  - $30,000+ in transaction fees
  - Streets all deteriorate at same time

Millage Rates



Example Ballot Language

CITY OF LATHRUP VILLAGE

Headlee Override Millage Proposal

Shall a "Headlee Override" be adopted so that the current limitation on the amount of City taxes that may be levied against all taxable property in the City of Lathrup Village, Oakland County, Michigan, be increased as follows:

- Up to 20 mills from approximately 16.081 mills ($20 from approximately $16.081 per $1,000 of taxable value) for general operating expenses, and
- Up to 3 mills from approximately 1.6034 mills ($3 from approximately $1.6034 per $1,000 of taxable value) for sanitation/rubbish.

If approved and levied in its entirety, this millage would raise an estimated maximum amount of $3,060,142 for the City in 2010 by allowing the City to levy the maximum mills previously approved by the voters and authorized by the City Charter and State law which have been reduced as required by the Michigan Constitution of 1963.

Takeaways

- City has sophisticated & award-winning Street Asset Management program
- Streets have improved over last five years
- Streets compare favorably with peer communities
- Investment level last five years is not sustainable
  - 2012 was high point in network condition
- Opportunity for preventive maintenance is large, but time window is closing
- Additional funding sources needed to maintain and\or improve network.

Next Steps

- Council direction on whether to proceed
- Attorney drafts ballot language (June 2014)
- Council approves ballot language (July 2014)
- Public Educational phase (Jul – Oct 2014)
- General election ballot (Nov 2014)
- If approved:
  - Design of Year 1 (Dec 2014 – Mar 2015)
  - Construction of Year 1 (Apr – Oct 2015)

AD HOC STREET COMMITTEE
MONDAY, JULY 28, 2014

The Ad Hoc Street Committee met on Monday, July 28, 2014 at 4 p.m. in the Council Chambers, City Hall.

PRESENT: Colleen Kenny, Bob Hornkohl, Lynda Beaton, Gerald Haw, Joseph Maxey, Jeremy Nowak, Roger Zielinski, Mitch Deisch, Ed Bradford, Jeff Mikula, Shawn Middleton

ABSENT: Ed Cote

PURPOSE: City Council directed staff to advertise for applications to this new committee and appointments were made at the July 1, 2014 meeting. The purpose of this new committee will be to discuss upgrading the City street network. The committee will consist of members of City Council, City Staff, and 3-5 ad hoc committee members (must be a registered voter or property owner in the City of Manistee).

City Manager Mitch Deisch started the meeting by way of introductions of the Ad Hoc Committee members and clarified why the committee was created. Staff made a presentation to the committee of the previous presentation made to City Council at the June 6, 2014 meeting. Numerous questions were asked and discussed by the committee. Several concepts were discussed at length, which included:

- Staff and Council perspective that unless significant organizational changes are made by the city (elimination of services and/or departments) that finding the additional revenue in the existing city budget would be extremely difficult with significant impacts to services received by residents.
- Council directed staff to prepare ballot proposal language to place before the City electorate to generate additional revenue to address the city street network.
- Discussed that the current estimates to upgrade the entire city street network would cost approximately $16,000,000.
- Whatever revenue is generated to initially upgrade the streets, the program needs to address long term maintenance for the entire street network.
- Discussed the need to look for alternatives outside of just requesting citizens to approve a Headlee override to generate funds. Look at a hybrid approach for generating revenue that includes some millage increase, general fund dollars and oil and gas revenue.
- Discussed the position of some members of the committee that we should look for existing revenue in the current city budget before we look at asking the public for a Headlee override.

Staff presented information on current research being completed regarding the possibility of the Oil and Gas Fund contributing funds to assist with upgrading the streets. Staff discussed the draft ballot proposal.

CONCLUSION – City Staff will be creating some additional scenarios regarding funding and how this will impact the overall street upgrade program. In addition, it was determined that it was not practical to place the Headlee override ballot proposal language on the November 2014 election. More time for discussion and looking at options by the committee needs to occur. City Manager Mitch Deisch will look at future election date options.

Next meeting is scheduled for August 13, 2014 at 4 p.m.

Adjourned at approximately 6 p.m.

Respectfully submitted,

Mitchell D. Deisch, City Manager

MDD:cl

AD HOC STREET COMMITTEE
WEDNESDAY, AUGUST 13, 2014

The Ad Hoc Street Committee met on Wednesday, August 13, 2014 at 4 p.m. in the Council Chambers, City Hall.

PRESENT: Colleen Kenny, Bob Hornkohl, Ed Cote, Lynda Beaton, Gerald Haw, Joseph Maxey, Jeremy Nowak, Mitch Deisch, Ed Bradford, Jeff Mikula, Shawn Middleton

ABSENT: Roger Zielinski

OTHERS PRESENT: Media and Public

PURPOSE: City Council directed staff to advertise for applications to this new committee and appointments were made at the July 1, 2014 meeting. The purpose of this new committee will be to discuss upgrading the City street network and help educate the public on upcoming millage request. The committee will consist of members of City Council, City Staff, and 3-5 ad hoc committee members (must be a registered voter or property owner in the City of Manistee).

DISCUSSION: Mayor Kenny went over clarification of the Ad Hoc Committee. Discussed millage request, citizen member consensus that city would not be able to sell a millage request.

- Consider hybrid approach and request smaller millage amount.
- Discussed asset management and realities of the budget.
- Discussed using oil and gas fund monies.
- Discussed how street maps were created highlighting street candidates and lower cost treatment available. Staff worked to create the biggest bang for the buck in the first two years. In years four and five additional revenues might be available to do major reconstruction projects.
- Discussed what Council is looking for from this committee. Jeremy Nowak said he can't do this if the only purpose of the committee is what happens if the millage doesn't pass. Needs to be other plans, there is no way a millage will pass.
- Discussed the need to educate the public. This committee could help do this by becoming educated themselves to be able to respond to questions and comments. This committee needs to assist Council in ways to educate the public so there is a better understanding.
- Discussed why the City is using monies for certain services like the pool and the Ramsdell. Enterprise funds should be self-supporting. The public keeps giving the city more money but some feel it is being spent on things they don't care about. The Council is trying to balance the needs for all members of the public.
- The City Manager stressed that the city needs to provide accurate information so that the citizens can make an informed and educated vote.
- City Council has requested staff move forward with a millage election. Election dates for 2015 are being researched.
- Discussed having a Plan B prepared if the millage does not pass.

Options Discussed:

- Keep doing things the way we currently do.
- Continue millage request.
- Hybrid approach.
- Cut city services.
- Spend portion of Oil and Gas Fund.
- Look for other avenues to come up with money.
- Look at strategic plan, right priorities.

Manistee is not unique in this situation. Communities all over Michigan and throughout the United States are facing similar issues.

Finance Director Ed Bradford reviewed the documents sent to the committee prior to this meeting including: Oil & Gas Fund History, Using $3,000,000 from the Oil and Gas Fund, Investment Policy and Spending Rule, and Street Scenarios. Numerous questions were responded to. Discussion points:

- Spending Rule is currently 4%.
- Upward movement of the fund is not guaranteed or anticipated.
- Past ballot protection of Oil and Gas Fund principal and well revenues.
- If you take away money today you do so at the expense of future generations.
- Risk of fund becoming an underwater endowment fund if funds are removed.
- Reviewed current bond debt and schedule for payoff.
- Reviewed current Capital Improvement Plan obligations.
- Provided greater understanding of how City has been providing funds for more than 8.7 million dollars of street improvements by leveraging grant funds.
- There are no more sewer separation projects upcoming to continue leveraging practice.
- If we don't keep investing in streets they will continue to deteriorate.
- Showed committee where financial accountability information can be found on the City's website.

CONCLUSION – Continue various discussions on creating alternate plans if the millage request does not pass. Committee members were asked to bring their suggestions for other budgeting opportunities to the next committee meeting.

Next meeting is scheduled for Wednesday, September 10, 2014 at 4 p.m.

This meeting was televised by the PEG Commission and can be viewed at ManisteeTV.org. These minutes are a result of viewing the tape.

Adjourned at approximately 6:25 p.m.

Cynthia J. Lokovich, CAP-OM

MDD:cl

AD HOC STREET COMMITTEE
WEDNESDAY, SEPTEMBER 10, 2014

The Ad Hoc Street Committee met on Wednesday, September 10, 2014 at 4 p.m. in the Council Chambers, City Hall.

PRESENT: Colleen Kenny, Lynda Beaton, Gerald Haw, Joseph Maxey, Jeremy Nowak, Mitch Deisch, Ed Bradford, Jeff Mikula, Roger Zielinski

ABSENT: Bob Hornkohl, Ed Cote, Shawn Middleton

OTHERS PRESENT: PEG-Tom Geoghan

PURPOSE: City Council directed staff to advertise for applications to this new committee and appointments were made at the July 1, 2014 meeting. The purpose of this new committee will be to discuss upgrading the City street network and help educate the public on upcoming millage request. The committee will consist of members of City Council, City Staff, and 3-5 ad hoc committee members (must be a registered voter or property owner in the City of Manistee).

DISCUSSION: At the previous meeting consensus to continue various discussions on creating alternate plans if the millage request does not pass. Committee members were asked to bring their suggestions for other budgeting opportunities to this meeting.

City Manager encapsulated discussion from last meeting: It is the committee's belief that it would be exceedingly difficult to ask for a millage in November; there is a need for Plan B. The purpose of today's meeting was to talk about Plan B and various ways that revenue could be generated.

- Discussed the budget recently adopted by City Council for the 2014-2015 fiscal year. Noted funds in this budget are already obligated.
- $600,000 is a lot to find, basically would eliminate a department.
- What are the challenges and how do we explain them to the citizenry?
- Clear consensus that we would be looking at the budget and this is the time to explore concepts.
- A start is the bond debt that would expire in 2015.
- Nowak suggested cherry picking smaller amounts from the budget.
- Haw suggested doing one block this year as an example to the public that the City is working toward repairs. However, too late for a project yet this Fall.
- Twelfth Street is one project that is ready to go but City does not own the property.
- Mikula noted that the City has applied for an MDOT grant in 2015-2016 to begin preliminary design work and would use the money in this year's budget as grant match.
- Would take $600,000 to make a meaningful contribution to street upgrades; anything less and the streets will continue to deteriorate.

- Maxey felt streets and sidewalks are a public safety issue and should come before some of the nice things like the Marina, Ice Skating Rink, Ramsdell, Launch Ramps, etc. City should do no more until streets are addressed.
- Nowak noted that the City does have to pay the bills already incurred. However he still feels there are areas that could be cut like DPW recycling, let people take their recycling to the school. Move brush pickup to only once a month.
- Mikula noted that the DPW does apply efficiencies when they arise.
- Mayor Kenny asked the committee to look at long term funding opportunities. We need to make it a sustainable source of revenue.
- Beaton asked if any kind of incentive is given to the Ramsdell Director to reduce the amount allocated to the Ramsdell.
- Bradford discussed subsidy to the Ramsdell and advised that this is included in Ramsdell Director goals, the Ramsdell is working on a better governance structure; he expects to see more progress in year two. The Ramsdell has undertaken a strategic planning process. Level of support to the Ramsdell will need to decline over time.
- Maxey again noted that Council needs to put more emphasis on streets.
- Mikula noted that Council has been very proactive on streets. Money is budgeted (almost a million dollars annually) for maintenance but that doesn't include rehab. The City has completed 10 million dollars in past water and sewer projects. Those projects included street reconstruction and repairs. A lot of water and sewer funds were used to reconstruct streets.
- Discussed what could happen as Council changes in the future. However, Mayor Kenny felt that any voted millage dedicated to streets would be used for streets by future Councils.
- Beaton felt that City Council has a PR problem. Public perception is that Council has not done their job and should pull out every nickel and dime out of the current budget. You have to start taking some stuff out to satisfy the public.
- Discussed Appropriations Budget. Funds are discretionary but important. These funds total almost a mill but they provide services that municipalities traditionally provide.
- Maxey we need to find some way to take money out of the General Fund and some money out of the Oil and Gas Fund.
- Beaton requested a written opinion from the investment advisor, let them work more like a partner, structure investments so we have additional money.
- Bradford noted that the Oil and Gas Investment Board has visited this many times. Discussed the spending rule policy. The rate of return is not sustainable and taking out additional funds at this time would affect that. Discussed pledge by Council to use oil and gas funds to subsidize water and sewer. Council changed that outlook and started weaning off water and sewer and it now goes to capital improvement.
- Bradford noted that it is entirely possible that the State of Michigan will take a proactive approach and budget additional funds to municipalities for street repairs.

We can all look at the budget and pull something different out, something that another person would feel is important. City Manager requested a consensus of the committee to look at three pots for a hybrid approach: a millage percentage, a percentage from general fund budget, and a percentage from capital improvement funds (oil and gas revenues); and task staff to look at various routes to get there. No specific amounts/percentages were set.

Continued discussion on concept to do something in the first year, before a millage request is made, with internal money so citizens would be more willing to approve a millage.

COMMITTEE SUGGESTIONS:

- Hybrid approach needed.
- Remove $55,000 in current Capital Improvement Fund and not fund items.
- Dedicate $150,000 from future retired debt.
- Dedicate $40,000 (or a portion) of Community Pool payments once the 10 year agreement is expired.

CONCLUSION – Stronger likelihood of passing a millage request if efforts were first made by the City. We have to have skin in the game to raise the confidence level of the citizenry. Committee members will look at the budget and make suggestions on where cuts may be possible and submit to City staff. Staff will put together possible recommendations and then schedule another meeting of the committee.

This meeting was televised by the PEG Commission and can be viewed at ManisteeTV.org.

Adjourned at approximately 5:45 p.m.

Cynthia J. Lokovich, CAP-OM

AD HOC STREET COMMITTEE
THURSDAY, NOVEMBER 13, 2014

The Ad Hoc Street Committee met on Thursday, November 13, 2014 at 3 p.m. in the Lunchroom, First Floor, City Hall. This represents my best record of discussions and is not verbatim.

PRESENT: Colleen Kenny, Lynda Beaton, Gerald Haw, Joseph Maxey, Jeremy Nowak, Mitch Deisch, Ed Bradford, Jeff Mikula, Roger Zielinski, Ed Cote

ABSENT: Shawn Middleton, Bob Hornkohl

OTHERS PRESENT: PEG-Tom Geoghan, Manistee News Advocate-Shawn Bradley

PURPOSE OF THE COMMITTEE: City Council directed staff to advertise for applications to this new committee and appointments were made at the July 1, 2014 meeting. The purpose of this new committee will be to discuss upgrading the City street network and help educate the public on upcoming millage request. The committee will consist of members of City Council, City Staff, and 3-5 ad hoc committee members (must be a registered voter or property owner in the City of Manistee).

DISCUSSION: At the previous meeting conclusion was to continue creating alternate plans if a millage request does not pass. Stronger likelihood of passing a millage request if efforts were first made by the City to raise the confidence level of the citizenry. Staff prepared a PowerPoint presentation for today. Also emailed to committee members a copy of the 9/10/14 meeting notes; a letter from Barlett on a Sustainable Spending Policy; Oil and Gas Board Minutes from 10/10/14; and adopted resolution to manage the Oil and Gas Fund as an Endowment.

- Staff prepared lots of good information to review today, discussion will follow.
- Bradford - Reviewed the letter from Bartlett, the Oil and Gas Board has worked hard to get to this point since 2009. Current spending rule at 4% will maintain purchasing power for the future.
- Question on what could be accumulated if the spending rule was increased to 4.5%, estimated at $38,000 but that would then reduce future amounts.
- Beaton - City Council will have to wrestle with this one or find amounts in other areas.

Bradford and Mikula went through the PowerPoint presentation that included information from recent SEMCOG and Oakland County Road Commission presentations. Michigan is behind the curve compared to other states with declining revenues and services. Important that this committee and the citizenry see how the rest of the state mimics what we are experiencing here in Manistee. Lots of uncertainty as of today. One slide provided an update on State funding and current discussions by legislature on road funding. Nowak said he was traveling in Ohio and road repairs in that state looked different. Mikula responded saying that road materials vary from state to state along with different processes used because of what is regionally available for

materials. In Manistee's past, base materials were constructed of whatever was available at the time be it stone, gravel, sand or cinders. Base materials can vary from block to block. It would cost $100,000 to core all city streets to determine what the base is constructed with.

HANDOUT – SELECTION & PRIORITIZATION OF CITY STREET IMPROVEMENTS

Information on the handout doesn't take into consideration political realities; this will fall on Council. City needs to change its asset management philosophy and begin with crack sealing or slurry seal to prolong the life of current roads. City Manager recently published an article in the Manistee News Advocate on the real cost of road repairs that was broken down into a per block cost to make it more understandable and realistic.

- Nowak - Questioned the 10% contingencies in construction.
- Maxey - Said that at least 10% needs to be built into any project.
- Mikula - Crack sealing gives us the biggest bang for our buck and prolongs the life of the road. Average life of a road is 14 years.

HANDOUT – ALTERNATIVE STREET FUNDING SCENARIO

Suggesting to Council that 80% of uncommitted funds in the Capital Improvement Fund would go toward streets; leaving 20% at the Council's discretion.

- Maxey – What about the $400,000 per year?
- Mikula – Anything less will continue to slip us backwards.
- Deisch – Committee's desire at the last meeting was to drop the numbers down initially.
- Nowak – We have to start somewhere.
- Mikula – DPW is looking at ways to do some services in-house instead of contracting to save money; ie. training staff to pour sidewalks. Breaking point is if we have time and personnel to do it.
- Bradford – If state increases funding to municipalities it could help us make meaningful progress.

Deisch asked the Committee what they thought about the timing of a millage request and what the right amount to request would be.

- Maxey – Work has been done already; 2.3 mills is too much.
- Deisch – Committee needs to create a Transportation Improvement Plan in time for inclusion for the 2015-2016 budget process.
- Maxey – Sees no major reconstruction, not much light rehab. That was confirmed by Deisch. Not a lot of sources for this kind of money. Citizens feel that more money, somehow, needs to come out of the current budget; perhaps trim 2%.
- Mikula – It's tough already to balance budgets due to fixed costs continuing to rise.
- Cote – Left the meeting at 4:20 p.m.
- Bradford – Bond issue for City Hall will be paid in 10 years.
- Maxey – Need to find more money out of General Fund budget, do not do anymore non-safety projects. Sees three pots: Millage, Capital Improvement Fund, and General Fund Budget.

- Bradford – Property values will also be a factor, slightly positive this year, 1.6% inflation.
- Beaton – Would like to get back to Oil & Gas Fund for at least the short term, perhaps three year period, one-half of a percent just to get started. Keep $340,000 static in the budget. Find 2% savings in departments and then request a smaller millage.
- Haw – Noted that $125,000 was taken out of the Oil and Gas Fund once before. Staff clarified that this was used to subsidize the Water and Sewer Fund when Council did not want to substantially increase water and sewer rates. It was a one-time thing.
- Nowak – Are new water and sewer rates generating the revenue anticipated? Staff responded yes.
- Bradford – Water and Sewer Fund will pay their debt issues and then fund improvements; which could ultimately help provide some funds for roads during utility projects.
- Kenny – Noted that Council did not increase the water and sewer rates as high as was recommended. We need to balance needs with maintaining Manistee as a community of choice.
- Bradford – It will be difficult, if not impossible, to get 2% from the budget; might be able to get $30,000 or $40,000.

CONCLUSION – Mitch Deisch reviewed the last slide in the presentation on the next steps for this committee. After considerable discussion on millage rates, areas/services to cut, sustainable plan for the long term; it was a consensus of the committee to let staff draft a Transportation Improvement Plan for committee review. If committee members have specific items they would like to see included they should email them to all committee members. The draft plan will be prepared and presented to the committee by December 12; after the committee has a chance to review, another meeting can be scheduled. Discussed the need for greater citizen review of the plan. A work session between City Council and the Committee will be scheduled and publicized. Committee will follow a timeline to completion so that the report can be included in the 2015-2016 budget process. Mitch Deisch thanked all Committee members for the amount of time they have volunteered toward this discussion.

This meeting was televised by the PEG Commission and can be viewed at ManisteeTV.org.

Adjourned at approximately 5:05 p.m.

Cynthia J. Lokovich, CAP-OM
City Manager's Office

AD HOC STREET COMMITTEE
TUESDAY, JANUARY 13, 2015

The Ad Hoc Street Committee met on Tuesday, January 13, 2015 at 2:30 p.m. in the Council Chambers, City Hall. This represents my best record of discussions and is not verbatim.

PRESENT: Lynda Beaton, Gerald Haw, Joseph Maxey, Jeremy Nowak, Mitch Deisch, Ed Bradford, Jeff Mikula, Roger Zielinski, Ed Cote, Bob Hornkohl, Shawn Middleton

ABSENT: Colleen Kenny

OTHERS PRESENT: PEG-Tom Geoghan, Mayor Pro-Tem Jim Smith

PURPOSE OF THE COMMITTEE: City Council directed staff to advertise for applications to this new committee and appointments were made at the July 1, 2014 meeting. The purpose of this new committee will be to discuss upgrading the City street network and help educate the public on upcoming millage request. The committee will consist of members of City Council, City Staff, and 3-5 ad hoc committee members (must be a registered voter or property owner in the City of Manistee).

DISCUSSION: At the previous meeting it was the consensus of the committee to let staff draft a report for committee review. The draft final report was emailed to committee members on Friday, December 12, 2014. The purpose of this meeting was to review the draft report before it goes to City Council. This report is not from City staff, but rather the ad hoc committee as a whole; and should reflect that.

Comments:

- Mayor Kenny was unable to attend due to work conflicts.
- Would be hard for everyone to agree on the whole document as it is.
- Haw preferred unanimous agreement but could agree with the majority.
- Maxey preferred unanimous agreement but could agree with the majority.
- Nowak felt unanimous agreement unrealistic. There are core issues we can all agree on. At least a majority can agree that alternative ways of funding need to be found.
- Maxey disagreed with Nowak that some tax increase would also be needed to fund.
- Zielinski would prefer it to be unanimous.
- Cote agreed and felt committee should come to a consensus and basically be on the same page.
- Beaton said to start with the one thing that is unanimous; a Headlee override would not pass.
- Committee as a whole said they would shoot for unanimous but the focus will be on the majority as a whole.

- Deisch provided a synopsis of previous email comments from committee members regarding a hybrid approach:
    - Millage request for one mill from Manistee residents (show cost/average residential taxable value). This should generate about $190,000. This millage request MUST be structured / worded so that revenues are earmarked for local street repairs only.
    - Assign general fund resources of at least 2% or $120,000-$150,000 to the local street repair fund. No specific areas or ways to reduce or eliminate were given.
    - Dedicate 80% of the capital improvement fund to the local street repair fund until other future funds are "freed-up" that will substitute for the current dedicated capital improvement funds.
    - Do a onetime 1/2% increase of the Oil & Gas Investment Board spending rule to "sweeten" the local street repair fund. This would generate approximately $35,000; shows a willingness to resolve a major problem with money people feel is endless.
    - All of the above should generate approximately $400,000. Will not provide enough for any significant road repairs, but it provides a starting point that MUST be continued.
- Incorporate hybrid approach in the Adequacy of Funding section.

Moved to Page 4 and 5 of the draft report, section on Recommendations. Committee reviewed each paragraph in depth and made several language and format changes. Millage was moved to the #1 recommendation and the redraft will include the following language: Committee unanimously felt a Headlee Override would be unsuccessful at this point in time. A millage request at some point in time could be necessary. A definition of what a Headlee Override is should be included in the document to make it easier for the general public to understand and avoid confusion between a millage request and a Headlee Override.

Significant discussion on millage versus Headlee Override request, budget costs and prices, oil and gas fund, capital improvement plan, better advertising needed on projects, reduction of General Fund expenditures by 2% to dedicate to streets, perception on future additional state funding and upcoming May election.

CONCLUSIONS:

- Unanimously agreed that something needs to be done in the 2015 construction season and that this point needed to be made in the report.
- Committee unanimously felt a Headlee Override would be unsuccessful at this point in time. A millage request would be necessary at some point in time.
- Unanimously agreed to recommend that the Council commit at least 80% of unobligated capital improvement funds on an ongoing basis.
- Recommend increasing the Oil and Gas Board spending rule from 4% to 4.5% for up to five years; with Council approval required each year.
- Recommend that Council look for ways to reduce the General Fund by up to 2%.
- Other Potential Future Funding Sources – combine City Hall Bond, Community Pool, Appropriations, Ramsdell Theatre, and Municipal Marina as areas discussed by the committee with the hope that Council will review these areas along with the General Fund as potential funding sources. It is up to Council to determine where additional funds are drawn from.

Staff will make changes to the draft document. Redraft will be emailed to members and hard copies will be made available to all members for further review.

This meeting was televised by the PEG Commission and can be viewed at ManisteeTV.org.

Adjourned at approximately 4:25 p.m.

Cynthia J. Lokovich, CAP-OM
City Manager's Office

BARTLETT

OUR GOAL IS REACHING YOURS.

Investment Management. Financial Planning.
Since 1898.

MANAGER'S OFFICE
SEP 26 2014
CITY OF MANISTEE

RECEIVED
SEP 22 2014
CITY OF MANISTEE
CLERK-TREASURER

September 12, 2014

Mr. Edward Bradford
City of Manistee
70Maple Street
Manistee, MI 49660

Re: Sustainable Spending Policy

A prudent level of spending for an endowment or foundation should be at a level that ensures long-term purchasing power of the distributions. Maintaining purchasing power refers to having distributions keep up with inflation, so over a long period of time the impact or benefits to the community are maintained. In order to do this, one must take the projected investment return, less the projected inflation rate to arrive at the appropriate spending level.

A survey of various investment consultants, managers and analysts would suggest that over the next ten years the total return on equity portfolios should approximate 7.0%. The corresponding ten year projected return for fixed income securities is 3.0%. A balanced portfolio invested 65% in common stocks and 35% in bonds would equate to a projected return of 5.6%. If one subtracts an anticipated inflation rate of 2% to 2.5%, then you arrive at a long-term real (after inflation) rate of return of approximately 3% to 4%, which should maintain your purchasing power if distributions are set at this level.

This concept is sometimes referred to as "generational equity." The idea is that the value of a portfolio in the future should be approximately equal in terms of purchasing power to what it is today. The research that has been done on this from respected sources is that 3% to 4% is the comfort range to maintain this generational equity. In other words, if one spends over 4% then the real value of the fund will be diminished over time. Spending under 3% would increase the real value of the fund over longer periods of time.

Sincerely,

Woodrow H. Uible, CFA

600 Vine Street, Suite 2100 • Cincinnati, Ohio 45202 • 513.621.4612 • 800.800.4612 • 513.621.6462 fax • www.bartlett1898.com

OIL AND GAS INVESTMENT BOARD
MINUTES OF OCTOBER 10, 2014

The City of Manistee Oil and Gas Investment Board held a regular meeting on Friday, October 10, 2014 in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee, Michigan 49660. Meeting was called to order by Chair Colleen Kenny at 12:00 p.m.

MEMBERS PRESENT: Colleen Kenny, Doug Parkes, Ed Bradford, Steve Brower, Catherine Zaring

MEMBERS ABSENT: Mitch Deisch

OTHERS PRESENT: None

OLD BUSINESS

None.

NEW BUSINESS

Minutes - Minutes from the August 15, 2014 meeting were reviewed. **MOTION** by Catherine Zaring, second by Doug Parkes to accept the minutes and place them on file. All in favor - motion carried.

Bartlett Letter on Sustainable Spending Policy – This letter was requested by the Ad Hoc Street Committee; brief discussion.

Board Resolution on Managing the Oil & Gas Fund as an Endowment – Finance Director Ed Bradford was requested to draft a resolution of support for the Oil and Gas Investment Board to consider; recommending that City Council maintain the consistent preservation of oil and gas funds. The draft resolution was reviewed and discussed, no changes were recommended.

MOTION by Catherine Zaring, second by Steve Brower, to authorize Colleen Kenny as Chair to sign a resolution on behalf of the Oil and Gas Investment Board supporting the management of the Oil and Gas Fund as an Endowment; and that this resolution be forwarded to the Manistee City Council. All in favor – motion carried.

Calendar Dates for 2015 – Board discussed quarterly meeting dates for 2015. Other meetings can be scheduled as necessary. Dates selected were: Friday, January 16, 2015; Friday, April 17, 2015; Friday, July 17, 2015 and Friday, October 16, 2015. Board consensus, meeting dates will be posted.

Memorandums of Understanding on Internal Loans – The City Attorney and Finance Director are working on two memorandums of understanding between the City and the Board for the internal loans. Both should be ready for the next meeting.

Investment Advisor Update and Commentary – Woody Uible presented the Investment Update as of September 30, 2014 via conference call. Information in the report includes Market Outlook, Bull Market in Context, Fed Watch, International Fixed Income, Asset Allocation, Fixed Income Characteristics, Equity Sector Allocation, and Portfolio Performance. Questions and comments by board members were responded to.

Steve Brower left the meeting at 12:20 p.m.

Discussed stock prices on energy, health care, and utilities. Discussed Bartlett's letter and the resolution adopted by the Board to manage this fund as an endowment. Mr. Uible again cautioned the Board that there could be some slip back over the next 3-6 months. Maintaining the spending rule will help buffer any impacts.

Colleen Kenny left the meeting at 12:52 p.m.

PUBLIC COMMENTS

None.

ADJOURNMENT / NEXT MEETING

Next regular meeting is scheduled for Friday, January 16, 2015 at 12 p.m. in the Second Floor Conference Room, City Hall.

Following miscellaneous discussion, **MOTION** to adjourn by Doug Parkes, second by Catherine Zaring at 1:05 p.m.

DRAFT - cl

Cynthia Lokovich, CAP-OM
Recording Secretary

c. Manistee City Council
Board Members
Mitch Deisch, City Manager
George Saylor, City Attorney

DRAFT

Oil & Gas Investment Board Resolution

Managing the Oil & Gas Fund as an Endowment

WHEREAS, The City of Manistee is the recipient of Oil & Gas royalties and lease payments from City-owned property. The money derived from these payments has been set aside by City Council in a protected fund since 1979; and

WHEREAS, The Citizens of Manistee ratified Council's decision to preserve this money by approving a Charter amendment in 1992 (which passed 82% to 18%) to protect this money for future generations; and

WHEREAS, City Council has appointed an Oil & Gas Investment Board pursuant to Ordinance to manage the affairs of the Oil & Gas Fund; and

WHEREAS, City Council passed a resolution of support May 1, 2007 to pursue amending State law to change allowable investments for the Oil & Gas Fund. The State legislature passed, and the Governor signed into law, Public Act 220 of 2008 which allows the Oil & Gas Fund to be invested like a public pension fund; and

WHEREAS, The Oil & Gas Investment Board retained a professional investment advisor Bartlett Co. to manage the Oil & Gas Fund pursuant to the new law; and

WHEREAS, The Oil & Gas Investment Board and City Council have approved an Oil & Gas Investment Policy and Spending Rule which requires the Oil & Gas Fund be managed like an endowment fund; and

WHEREAS, The Oil & Gas Investment Policy and Spending Rule establishes an asset allocation and spending rule percentage that preserves the long-term purchasing power of distributions and provides for intergenerational equity for the Citizens of Manistee; now, therefore, be it

RESOLVED, That the City of Manistee Oil & Gas Investment Board supports in the strongest possible manner managing the Oil & Gas Fund like an endowment pursuant to the Oil & Gas Investment Policy and Spending Rule; and, be it further

RESOLVED, That the City of Manistee Oil & Gas Investment Board is opposed to increasing the spending rule percentage above 4% or spending any amount beyond what the Spending Rule dictates.

Colleen Kenny 10/10/14

Colleen Kenny, Chair Dated

ATTEST:

Cynthia J. Lokovich 10/10/14

Cynthia J. Lokovich, Secretary Dated