


Memorandum

The City of Traverse City



TO: R. Ben Bifoss, City Manager
COPY: William Twietmeyer, City Treasurer
FROM: Karrie A. Zeits, City Attorney 
DATE: May 1, 2009
SUBJECT: *Act 345 Pension Millage*

ATTACHMENT 1

You have asked me whether the City has to levy the necessary millage to fund the Act 345 pension system. The short answer to this question is yes.

Section 155 of the City's Charter provides in relevant part as follows:

Effective July 1, 1971, pensions and retirement for all policemen and firemen shall be subject to the provisions of Act 345 of the Public Acts of 1937, as amended.

Once the voters of a municipality adopt the statutory Act 345 pension system, they subject themselves to the legislative controls associated with the proper funding of the system. *Shelby Twp Police and Fire Retirement Brd v Charter Twp of Shelby*, 438 Mich 247 (1991). MCL 38.559(2) provides in relevant part as follows:

[T]he amount required by taxation to meet the appropriations to be made by municipalities under this act shall be in addition to any tax limitation imposed upon tax rates in those municipalities by charter provision or by state law . . .

The effect of this provision is to require the City to set an Act 345 millage rate in an amount sufficient to fund the Pension System. The City could either do so by increasing the total mills currently levied in the amount necessary to fund the Pension System or reduce its general operating millage by the number of mills necessary to fund the Pension System.

I hope this answers your question. Please contact me if you have any questions.

CITY OF TRAVERSE CITY

MEMORANDUM

To: R. Ben Bifoss, City Manager
From: William E. Twietmeyer, City Treasurer/Finance Director *W.E.T.*
Subject: Water Rate Analysis
Date: May 1, 2009

My annual review of the Water Fund is concluded. My communication last year stated that a rate increase is inevitable for the 2009-2010 fiscal year and I am recommending a rate increase in the Water Fund for the upcoming fiscal year.

My recommendation is that Water rates should be increased from their current base rate of \$7.50 to \$8.50 beginning July 1, 2009. The last rate increase was on July 1, 2007. This rate increase is necessitated primarily by the need to pay for the various capital improvements at the Water Treatment Plant and to the Water Distribution system. In addition, I recommend that the City discuss and contemplate establishing an annual rate adjustment based on inflation. Once a determination has been made concerning the funding of the Barlow Reservoir Recoating project scheduled for the 2010-2011 fiscal year as well as the finalizing of the costs for the Raw Water Intake Line to the Plant in the 2012-2013 fiscal year, it is more than likely that an annual adjustment of water rates tied to inflation should be adequate to fund its annual operation as well as provide for some of the smaller capital needs of the system.

Attached for your review is a copy of a spreadsheet showing five years of historical financial data for the Water Fund, along with current year projections, next years budget, and three future years of projections. Also included is a copy of the proposed rate structure that would need to be adopted by resolution of the City Commission in conjunction with the final adoption of the budget. Please let me know if you desire any additional information.

Encl.

WATER FUND

PROJECTED TEN YEAR OPERATING REVENUES, EXPENSES AND DEBT SERVICE

For Year Ended June 30

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenue										
Water Sales	1,508,714	1,514,412	1,496,015	1,527,500	1,702,359	1,655,000	1,931,710	1,941,368	1,951,075	1,960,831
Twp. Bulk Sales	460,304	673,309	517,948	615,308	587,907	560,000	603,500	621,605	640,253	659,461
Other Revenue	108,960	377,918	187,046	165,513	174,675	87,500	83,000	125,000	125,000	125,000
Total Revenue	2,077,978	2,565,639	2,201,009	2,308,321	2,464,941	2,302,500	2,618,210	2,687,973	2,716,328	2,745,291
Operating Expenses										
Expenses (Net of Deprec.)	1,435,744	1,532,180	1,588,984	1,730,956	1,724,520	1,784,000	2,006,250	2,066,438	2,128,431	2,192,284
Payment in Lieu of Taxes	103,968	110,120	110,233	115,322	123,330	115,125	130,910	134,399	135,816	137,265
Total Operating Expenses	1,539,712	1,642,300	1,699,217	1,846,278	1,847,850	1,899,125	2,137,160	2,200,836	2,264,247	2,329,548
Operating Income	538,266	923,339	501,792	462,043	617,091	403,375	481,049	487,137	452,081	415,743
Debt Service										
Bond Debt Service	266,538	257,875	273,750	263,250	279,500	267,500	280,500	267,000	253,500	265,000
Bond Debt Service	0	0	0	0	0	0	0	0	0	320,970
Total Debt Service	266,538	257,875	273,750	263,250	279,500	267,500	280,500	267,000	253,500	585,970
Capital Projects Improvements	303,369	594,411	661,574	285,403	112,777	467,700	450,000	1,087,000	440,000	400,000
Net Income/(Loss)	(31,641)	71,053	(433,532)	(86,610)	224,814	(331,825)	(249,451)	(866,863)	(241,419)	(570,227)
Cash Balance	1,341,446	1,412,499	978,967	892,357	1,117,171	785,346	535,895	(330,967)	(572,386)	(1,142,613)

Assumptions:

This projection contains a \$1.00 increase in the base rates beginning July 1, 2009.

Water Sales are anticipated to increase .5% per year in the future.

Township Bulk Sales are anticipated to increase 3.0% per year.

Expenses net of depreciation are expected to increase 3.0% per year.

Debt Service amounts represent the current 1992 Water Revenue bond issue.

Capital Projects Improvement costs are taken from the recently submitted Capital Projects Plan.

The Raw Water Intake project is bonded for in 2012-13, for \$4 million at the rate of 5% for 20 years.

WATER RATES

Current Rates

First 600 Cu. Ft or less	Inside City Limits	Outside City Limits
5/8 Inch (Average Residence)	\$7.50	\$11.25
1 Inch	\$15.00	\$22.50
1 1/4 Inch	\$22.50	\$33.75
1 1/2 Inch	\$30.00	\$45.00
2 Inch	\$45.00	\$67.50
3 Inch	\$60.00	\$90.00
4 Inch	\$90.00	\$135.00
6-12 Inch	\$150.00	\$225.00
Next 3,400 Cu. ft./1,000 Cu. ft.	\$7.50	\$11.25
Next 16,000 Cu. ft./1,000 Cu. ft.	\$7.00	\$14.00
All over 20,000 Cu. ft.	\$7.00	\$14.00

Proposed Rates

First 600 Cu. Ft or less	Inside City Limits	Outside City Limits
5/8 Inch (Average Residence)	\$8.50	\$12.75
1 Inch	\$17.00	\$25.50
1 1/4 Inch	\$25.50	\$38.25
1 1/2 Inch	\$34.00	\$51.00
2 Inch	\$51.00	\$76.50
3 Inch	\$68.00	\$102.00
4 Inch	\$102.00	\$153.00
6-12 Inch	\$170.00	\$255.00
Next 3,400 Cu. ft./1,000 Cu. ft.	\$8.50	\$12.75
Next 16,000 Cu. ft./1,000 Cu. ft.	\$8.50	\$17.00
All over 20,000 Cu. ft.	\$8.50	\$17.00

CITY OF TRAVERSE CITY

MEMORANDUM

To: R. Ben Bifoss, City Manager
From: William E. Twietmeyer, City Treasurer/Finance Director *W.E.T.*
Subject: Sewer Fund Projections
Date: May 1, 2009

My annual review of the Sewer Fund is concluded. My communication last year stated that a rate increase is inevitable for the 2009-2010 fiscal year and I am recommending a rate increase in the Sewer Fund for the upcoming fiscal year.

My recommendation is that Sewer rates should be increased from their current base rate of \$25.00 to \$27.00 beginning July 1, 2009. The last rate increase was on July 1, 2002. This rate increase is necessitated primarily by the need to pay for the various capital improvements to the system but also to keep pace with the increase in operational costs that occur each year. In addition, I recommend that the City discuss and contemplate establishing an annual rate adjustment based on inflation. Once a final determination has been made concerning the funding of the Membrane Replacement at the Plant starting in the 2011-2012 fiscal year, it is more than likely that an annual adjustment of sewer rates tied to inflation should be adequate to fund its annual operation as well as provide for some of the smaller capital needs of the system.

Attached for your review is a copy of a spreadsheet showing five years of historical financial data for the Sewer Fund, along with current year projections, next years budget, and three future years of projections. Also included is a copy of the proposed rate structure that would need to be adopted by resolution of the City Commission in conjunction with the final adoption of the budget. Please let me know if you desire any additional information.

Encl.

SEWER FUND PROJECTED TEN YEAR REVENUE AND EXPENSES

FOR YEAR ENDED JUNE 30

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OPERATING REVENUE										
Sewer Sales	\$3,337,804	\$3,374,731	\$3,378,000	\$3,362,915	\$3,413,516	\$3,350,000	\$3,672,000	\$3,690,360	\$3,708,812	\$3,727,356
Township Revenue	\$861,093	\$1,154,286	\$1,169,183	\$1,242,477	\$1,374,972	\$1,616,000	\$1,450,000	\$1,508,000	\$1,568,320	\$1,631,053
Septage Treatment	\$0	\$44,959	\$268,735	\$364,284	\$474,016	\$486,000	\$500,000	\$515,000	\$530,450	\$546,364
Other Revenue	\$214,162	\$83,354	\$67,230	\$141,016	\$50,476	\$25,000	\$23,000	\$25,000	\$27,000	\$29,000
Total Revenue	\$4,413,059	\$4,657,330	\$4,883,148	\$5,110,692	\$5,312,980	\$5,477,000	\$5,645,000	\$5,738,360	\$5,834,582	\$5,933,772
OPERATING EXPENSES										
Treatment Plant	\$1,785,744	\$2,139,880	\$2,377,927	\$2,658,745	\$3,003,382	\$2,867,000	\$3,054,000	\$3,145,620	\$3,239,989	\$3,337,188
Collection & Maint	\$576,634	\$524,037	\$523,275	\$620,361	\$614,865	\$508,000	\$620,100	\$638,703	\$657,864	\$677,600
Customer Acctg	\$277,991	\$318,092	\$336,099	\$344,481	\$387,737	\$448,450	\$508,600	\$523,858	\$539,574	\$555,761
Total Expenses	\$2,640,369	\$2,982,009	\$3,237,301	\$3,623,587	\$4,005,984	\$3,823,450	\$4,182,700	\$4,308,181	\$4,437,426	\$4,570,549
DEBT SERVICE										
1971 Bond Prin & Int	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1995 Bond Prin & Int	\$148,610	\$153,261	\$132,539	\$136,171	\$132,314	\$138,817	\$132,000	\$132,000	\$132,000	\$132,000
1998 Bond Prin & Int	\$76,217	\$75,039	\$66,609	\$71,640	\$61,812	\$66,516	\$60,000	\$60,000	\$60,000	\$60,000
2002 Bond Prin & Int	\$1,198,693	\$1,195,108	\$1,190,697	\$1,186,410	\$1,179,927	\$1,171,081	\$1,180,000	\$1,180,000	\$1,180,000	\$1,180,000
Total Debt Service	\$1,423,520	\$1,423,408	\$1,389,845	\$1,394,221	\$1,374,053	\$1,376,414	\$1,372,000	\$1,372,000	\$1,372,000	\$1,372,000
SUB NET INCOME										
Capital Improvements	\$349,170	\$251,913	\$256,002	\$92,884	(\$67,057)	\$277,136	\$90,300	\$58,179	\$25,155	(\$8,777)
Township Share Reimbursed	\$455,595	\$110,650	\$157,842	\$320,271	\$562,575	\$230,000	\$557,000	\$482,600	\$500,000	\$521,300
NET INCOME	(\$106,425)	\$141,263	\$98,160	(\$227,387)	(\$629,632)	\$47,136	(\$466,700)	(\$424,421)	(\$304,845)	(\$360,077)
TOTAL CASH BALANCE										
	\$1,361,491	\$1,502,754	\$1,600,914	\$1,373,527	\$743,895	\$791,031	\$324,331	(\$100,090)	(\$404,934)	(\$765,011)

Please note the following assumptions:

This projection contains an increase of \$2.00 in sewer rates effective July 1, 2009. Growth in sales is estimated to increase 1/2% per year.

Growth in Township Revenue is estimated to increase 4% per year.

Treatment Plant Expenses are projected to increase 3% per year.

Collection & Maint and Customer Acctg expenses are projected at 3% per year.

The City's portion of debt service is estimated to be 60% of the total debt service.

The Capital Improvements are as provided in the six year public improvements plan.

Note: The membrane replacement in 2011-12 and 2012-13 consist of one membrane replacement per year for eight years. The township share represents their portion of the cost of the membrane at the very minimum.

SEWER RATES

Current Rates

Inside City Limits

\$25.00 per first 600 cubic feet

\$25.00 per thousand for each additional thousand cubic feet

Customers outside City limits are charged 1 1/2 times the City rate.

Proposed Rates

Inside City Limits

\$27.00 per first 600 cubic feet

\$27.00 per thousand for each additional thousand cubic feet

Customers outside City limits are charged 1 1/2 times the City rate.

FOR DISCUSSION PURPOSES ONLY

4-30-09

CITY OF TRAVERSE CITY COMMUNITY DEVELOPMENT

The Economics Research Associates study of March, 2007, conducted by the DDA, suggested that community and economic development in the areas outside of the DDA district are in need of attention and have an impact on the vitality of downtown. In consideration of this, the City Manager is requesting, subject to legal confirmation, that the DDA Board of Directors arrange for the DDA Executive Director to report, with regard to Community Development, to the City Manager and have the following responsibilities for a trial period of one year:

Serve as the Director of Community Development – the person responsible for coordinating response to issues raised by residents of neighborhoods, property owners and developers to assure a proactive City response to community needs.

Coordination of the activities of the Planning, Zoning and Engineering Departments.

Assist in staffing the Affordable Housing Task Force, bringing Community and Economic Development issues to the discussion, along with partners and resources available to assist.

Work collaboratively with public, private, non-profit and for-profit partners to improve residential neighborhoods and commercial corridors in the City.

Work with organized residential neighborhoods to help develop needs and search for partners to bring resources to implement envisioned improvements.

Work to assist in organizing residential neighborhoods that express such an interest.

Help coordinate the implementation of Bayfront Plan components, including coordinating dialogue and cooperation with the Michigan Department of Transportation.

Continue to play a role in the construction of the Old Town Parking Deck.

Help to coordinate implementation of the Pavement Management Report in conjunction with other community investment projects.

Work to develop visions for re-development of key commercial and residential corridors outside the DDA District, most notably:

West Front Street, including the intersection of Division, and Division North to the Bay

East Front Street to Garfield

East Eighth Street from Boardman Avenue to Garfield including redevelopment of the Depot property and that general area

Hall and Garland Streets redevelopment

Research and explore all available funding mechanisms and tools that might bring about positive change for the community and coordinate with the City Manager regarding City Commission support and involvement.

Create the model and set the groundwork for the future of Community Development in the City of Traverse City.

It is expected that the DDA Director/Community Development Director will remain an active participant in DDA major projects, and available to assist the DDA Deputy Director wherever necessary.

It is expected that the City of Traverse City will provide assistance to the Acting DDA Director from the City Finance office with ordinary accounting functions of the DDA.

It is expected that the DDA Director will return to the DDA office and assume full responsibilities at the end of the year. His position will be guaranteed in writing by the DDA Board at the time of implementation of this trial relationship.

After six months, there shall be a meeting to evaluate the relationship which will include the DDA Director, the City Manager, the Mayor, Mayor Pro Tem, DDA Board Chair, and DDA Board Vice Chair.