
The City of Traverse City – Office of the City Manager



Communication to the City Commission

TO: CITY COMMISSION

DATE: May 4, 2020

FROM: MARTIN A. COLBURN, CITY MANAGER

SUBJECT: ANNUAL BUDGET REPORT FOR FY 2020/2021

Dear Mayor Carruthers and Commission Members:

The proposed annual 2020/2021 budget has changed course through its development due to the unprecedented coronavirus (COVID-19) global pandemic hitting our community, state and nation. During this period over the last two months, we have seen a medical and economic emergency develop into a disaster. At the time of this writing our nation has lost over 66,000 citizens, and within our community and Grand Traverse County we have lost five citizens. The closure of most businesses resulting in employees no longer having a place to work and earn a living has motivated the nation, state and local governments, business community and Non-Governmental Organizations (NGO's) to work together to help sustain the population with their immediate needs. These challenges will continue to create unknown challenges. Because of the many unknowns of the future development and impacts of the virus, the situation will require continuous monitoring and evaluation.

The State of Michigan will not be providing formal state shared revenue estimates post COVID-19 until after this document is presented so it is based on staffs best estimates gathered from discussions with Michigan State Treasury staff. We are expecting significant impacts on state shared revenues (sales tax) and MDOT has communicated an estimated 8.5% loss of Act 51 transportation funds (fuel tax) for this upcoming Fiscal year 2020/2021. The City's primary source of revenues is property taxes. Since our tax system is based on the prior year's values, the current 2020 assessment values and property tax bills are calculated prior to COVID-19. Therefore, the current revenues from this source are not immediately impacted. This budget will focus on providing valued services and a continued commitment to investment of infrastructure. The final budget product will also serve as an historical record of City activities and services.

Tax Levy. The Headlee amendment ratified in 1978 was designed to limit the ability of local governments to levy new taxes and limit growth of property taxes. It also controls how authorized millage rates are calculated as it relates to growth of property. When growth on existing property is greater than inflation, then the local government must roll back its maximum authorized millage rate so that increases in property tax revenue caused by growth on existing property does not exceed the annual inflation rate. This is called the “Headlee Rollback.” We did have a negative impact on the 2019 maximum allowable of 12.4718 mills, to 2020 maximum allowable of 12.2747 mills.

In 1994 Proposal A was passed. This legislation created differences in Taxable Value (“TV”) and State Equalized Value (“SEV”) because a growth cap was placed on TV. The annual growth on TV on individual parcels is limited to the lesser of inflation or 5%. With the improvement of the real estate market, we are seeing growth of real property values. When properties are sold they become uncapped and their new market values are re-set so that their TV equals the SEV. Fortunately, we are seeing a number of properties within the City sold and the values becoming uncapped. The uncapped properties are not exempt property for the purpose of the Headlee rollback. The product of these changes in state law is to penalize communities that have had market growth. The rollback formula reduces the cap of property taxing capacity that a local government has. The City Charter authorizes a maximum capacity of 15 mills. However, our tax levy remains at 12.1167 mills as established by the City Commission. The levy is expected to generate approximately \$11,714,575 which represents an increase of about \$639,124 or 5.77%.

The ACT 345 levy remains at 2.32 mills. By Charter, this is a dedicated levy which can only be used for ACT 345 pension benefits for Police/Fire. This is a levy that was voted by the City electorate independent of the general fund levy. The millage rate is established by the actuarially-determined contribution required for the ACT 345 fund.

Planning, Zoning and Development. There are a notable number of major projects that are either under construction or in the planning stages that will have an impact on the City staff capacity. We continue to have a notable amount of sizeable projects current in progress or being planned. This is not inclusive of all projects. These developments are under construction or soon to be permitted:

- **305 WEST FRONT STREET**, 4-story, mixed use (office & retail) building
- **222 EAST STATE STREET**, (2) buildings, 3-story, 24 dwelling units and 2,500 s.f. of retail
- **708 RANDOLPH**, 4-story mixed use building, 12 dwelling units
- **705 CYPRESS**, 3-story building with 15 dwelling units
- **902 WEST FRONT STREET**, 3-story mixed use building with 8 dwelling units
- **225 EAST 17TH STREET**, 3-story building with 9 dwelling units
- **539 RANDOLPH STREET** (2) townhomes and (2) dwellings for a total of 7 dwelling units
- **1210 & 1216 EAST 8TH STREET**, Homestretch, 6 unit townhouses
- **13860 S. COMPASS ROSE DR.** (Moorings). 4,350 s.f., 1-story office building
- **510 BARLOW ST.** 7,270 s.f., 45’ tall indoor climbing gym
- **704 S GARFIELD AVENUE**, 3,000 s.f. retail building

- **400 EAST 8TH STREET**, 3-story, 20,000 s.f. commercial building with underground parking
- **705 PARSON ROAD**, 13,000 s.f. industrial building

These developments are in the planning stage:

- **309 WEST FRONT STREET**, 4-story mixed use building with 94 dwelling units and 5,000 s.f. of commercial space
- **124 WEST FRONT STREET**, 4-story mixed use building with 80 dwelling units and 10,153 s.f. of commercial space
- **714 RANDOLPH STREET**, 4-story mixed use building with 8-10 dwelling units
- **502 WELLINGTON STREET, PILOT**, 4-story building with 50 dwelling units
- **1223 EAST EIGHTH STREET, PILOT**, 4-story senior housing with 46 dwelling units

The Planning Department is working to support the land use applications for numerous projects and ensure appropriate administrative review and planning commission input and oversight is conducted. Completing the street design manual incorporates traffic calming, a complete streets policy and an active transportation plan. We are currently working on the creation of an Active Transportation Advisory Committee and a street design manual. Policy issues that are being developed through the Planning Commission are riparian buffers and dock line/water setbacks, e-scooter transportation, water conservation and storm water. The Planning Department is working with the City Manager and the DDA towards corridor development, incorporating the 8th Street North Boardman Lake District. Staff will also be working on continued support to both private investments into the community on quality commerce and target housing development working with non-profits and public/private partnerships. A community survey encouraging community engagement is included with a visioning process in preparation for a future Master Plan.

Impactful economic development is primarily driven by private investment. Economic development tools can support opportunities to resolve dynamic problems, having positive impacts such as environmental property contamination negated through a partnership of public and private entities. Using public policy and tools created by the legislature, these economic tools can facilitate development which encourages investment into properties that may otherwise sit burdened and unproductive for years. The City is shifting from a staff oriented activities approach adjusted upon need to a more public/private partnership. The City has been working with the Grand Traverse County Economic Development Corporation to reorganize economic development activities by encouragement of the creation of an Economic Development Organization. This will be a predominantly private driven organization with the public agencies participating. I'm recommending that the City of Traverse City partner with Traverse Connect through a services agreement. With the economic disaster we are experiencing, we need to strengthen our efforts by creating a synergistic relationship with our private businesses.

Administration. FY2020/2021 will encompass a primary election in August of 2020 and a Presidential election in November 2020. It is expected to be a strong turnout which requires the city to hire additional election workers. With the changing of state law and the coronavirus, the absentee ballot will be the primary means of people voting. The August election is expected to

be mandated as “no reason absentee ballot” with the expectation that with the virus, this could be the only way to vote. Due to this process there will be more mailings so the costs of elections are expected to go up.

City Administration is working with the Green Team continuing identifying and implementing best practices. To continue to meet the 100% of local government electricity need for City operations with renewable energies, the city will again invest in the Variable Green Rate. This will be the second year of placing this into the budget at an estimated \$70,000. This in turn assists in programming additional green practices by investing into green infrastructure to reduce electrical usage. The city will continue to work with TCL&P as well as Cherry Capital Airport on opportunities that will encourage investment of solar power to meet all of our respective renewable energy and zero carbon footprint goals.

Staff will work with Non-Governmental Organizations (NGO’s) and the DDA to work on identifying both city-owned and private properties to plan for public/private partnerships to develop housing within the city. The City currently has five potential PILOT’s (payment in lieu of taxes) with a private corporation (WODA), Traverse City Housing Commission and the non-profit Home Stretch.

With the COVID-19 experience we have turned to more web based training and meetings. This places a heavier demand on IT hardware and software. It will reduce some of the travel and conference costs. The city has also been planning on moving utility billing over to BS&A software which we transitioned to for our financial packages this past year. This software is being programmed over a two year period which will allow us to set up, train and implement the programs and services.

The City has completed union negotiations with four of six unions culminating with five year contracts. This budget reflects wages and benefits in accordance with all current labor contracts. FY2021/2022 has two contracts expiring so we will begin negotiations typically in spring of 2021 with labor. Health insurance premiums aggregate are estimated to increase at 4.8% beginning July 1, 2020. City employees pay 20% of the cost of their health insurance. The combined inflationary factor within the categories for wages and benefits costs is included in this budget.

Police and Fire/Emergency Services. The Community policing strategy continues to be transformative and developing into community outreach particularly at high risk and at risk populations. This philosophy promotes the organization to utilize partnerships and problem-solving techniques to proactively address immediate conditions on situations that rise to public safety issues, targeting solutions to address crime, social disorders and behavior, and fear of crime. Officers have been given specific assignments and geographic areas to enhance customer service and facilitate relationships as well as accountability.

Not unlike many communities within our state and nation, drug and alcohol addiction is a primary debilitating behavior. All police and fire units carry NARCAN, a brand name for

naloxone, a drug that can reverse the effects of an opioid and heroin overdose. Officers have save lives with this valued tool on the streets within our city.

Current goals within the Police Department focus to address the issue of mental illness and criminal justice, working in conjunction with Northern Lakes Community Mental Health. It is commonly recognized that our emergency services address in the field a notable amount of individuals who repeatedly have to respond to for behavioral and medical response. We have established a Crisis Intervention Team (CIT) to implement the One Mind Campaign. This campaign seeks to insure successful interactions between police officers and persons affected by mental illness. The Police Department works with a number of community organizations including mental health organizations, public safety agencies and non-profits that focus on services and outreach to these vulnerable populations. The practices define a partnership, developing a model policy to implement police response to persons affected by mental illnesses, training and certifying sworn officers in mental health first aid and providing CIT Team training. Ultimately, all of our police officers will receive training. The TCPD has also begun an initiative started by Families Against Narcotics (FAN) which works with our department to identify and find viable treatment options for individuals seeking help to reduce dependency and addiction.

This past year is the first year that we placed a Community Policing Officer dedicated to patrolling in downtown Traverse City, partnering financially with the Downtown Development Authority (DDA). Reports are that this program is impactful in helping reduce crime, developing and maintaining relationships and educating and involving the business community in problem solving.

The Fire Department focused on training within their areas of fire suppression and first responders as paramedics with Advanced Life Support services. Last year we had some retirements which has provided opportunities for promotions. This in turn opened up positions which we recruited, hired and placed through probationary training. This year we added an additional firefighter to our third shift, filling all three shifts. After training and probation has been completed, we will have all three shifts full strength, which should reduce overtime hours in the Fire Department.

The Fire Department has upgraded fire services reporting software, which will allow better reporting capabilities. While currently working on a feasibility study as to whether the Fire Department should provide primary Emergency Transport Services, it was found that data from the 911 center was not sufficient or reliable for comparative tracking. As we proceed with the analysis, we believe that working more closely with the Grand Traverse County 911 center will be imperative to track response times. The analysis outcomes should be reported this summer.

Fire prevention inspections are conducted by the Fire Marshal and Fire Inspector. They conduct safety inspections for fire code compliance including commercial, industrial and residential properties. They work with the City Clerk's Office and Planning Department as they conduct plan reviews for all new construction as well as for short-term vacation rentals and tourism homes. The department works on public Education.

The City has a contract for firefighting services at the Cherry Capital Airport. That contract is expiring at the end of June 2020 and city administrative staff is currently in negotiations with them to continue services. Under the current contract, the city provides one firefighter on premises per 24hr shift (3 shifts) to provide emergency firefighting services in accordance with Aircraft Rescue and Firefighting (ARFF specialized requirements, as well as Emergency Medical Services (EMS). To meet facility storage needs, last year the city completed adding an accessory building located at Station 2. This year, to maintain the fleet we have included \$700,000 to purchase a frontline fire apparatus.

Downtown Development Authority. The DDA is a component unit of the City, and manages a Development Plan and Tax increment Financing (TIF) Plans which focuses on infrastructure investment, and encourages and supports activities to grow and promote small businesses within the city's core within two TIF Districts (TIF 97, Old Town).

The introduction of COVID-19 into our society has had an immediate and devastating impact on small businesses within our city and DDA. With the immediate closure of most small businesses downtown, Front Street became silent. Literally thousands of workers became immediately unemployed and business owners shuttered their doors. The DDA immediately started working with small businesses in identifying which federal small business programs, loans and grants. They are working with business partners such as banks, credit unions, Traverse Connect, Networks Northwest and other NGO's to help people navigate the bureaucracy. Although we are all hopeful that this virus will run its course and ultimately a vaccine will be available to all, it will not happen fast enough. Both the health and economic impacts of the virus will be felt for years. The DDA has currently identified means to help with raising funds to support small investments into local businesses assisting to keep them afloat. As the economy reopens, they have already started promoting ways in which people can support the local businesses. In cooperation with the Chamber of Commerce and Traverse Connect, the DDA continues to focus efforts on supporting small business retail within the core of Traverse City. The City and Grand Traverse County have built an economic development model to support, build and retain business opportunities and investment. With this economic disaster, the DDA Board will entertain a contract for services with Traverse Connect to support these activities within both TIF 97 and Old Town Districts.

The DDA will continue to focus this upcoming year on infrastructure investment. This includes the financial commitment to the City of repairing four bridges, providing matching funds to MDOT grants the city has obtained. These bridges are West Front Street, South Cass and Park Street. Additional infrastructure includes streetscapes in partnership with private investment for snowmelt systems at 309 & 305 West Front Street, 160 E. State St., and 109 E. Front Street. The DDA is partnering with the City and Green Team with investments into the City Opera House.

The Traverse City Rotary Club is celebrating its 100th Anniversary. They chose the downtown Civic Plaza as their Commemorative community gift of \$1 million. With an additional \$2 million dollar grant from the State of Michigan, the \$3 million will build the Civic Plaza within the Traverse City downtown to benefit the community for many years to come.

The DDA also provides services to the Downtown Traverse City Association (DTCA) as well as management and implementation of parking services, through a Management Agreement with the City, which includes surface parking lots and parking garages within the City. They manage over 3,000 parking spaces. These activities strengthen the business core of the City. Since COVID-19 hit, to accommodate what activity was left, the parking services stopped enforcement of parking meters. This will have a significant negative impact to parking services, with an anticipated revenue loss of approximately \$1 million in the 2019/2020 budget and an estimated \$1.4 million loss in the FY2020/2021 budget.

Pursuing the City Commission goals to strengthen the 8th Street Corridor, both City and DDA staff are recommending the extension of the DDA district boundary, but not the TIF plan boundary, along 8th Street. The North Boardman Lake Business District has made this request to strengthen their business branding and marketing. The city recently invested into the 8th corridor with the hope and expectation of initiating private investment.

Carnegie Building. We currently have two active leases for utilization of space. The Crooked Tree Arts Council and the Grand Traverse Area Rock & Mineral Club hold lease agreements. Due to closure of the building due to COVID-19, the city has offered these organizations as well as three businesses in the first floor of the City Opera House and one business at the Hardy Parking deck properties to defer rent payments till the end of the life of the contract to relieve the financial pressure on these businesses. We expect that these facilities will operate at a net loss.

City staff has gone out to RFP for replacement of boiler equipment at the Carnegie Building. We are using a \$5,066 grant from the Michigan Council for Arts and Cultural Affairs as well as a Variable Green Rate funding from the TCL&P to fund this project. This will provide a more efficient rated boiler which is part of our Green Team and City Commission Goals.

Staff continues to work with the Native American communities to repatriate articles of the Con Foster collection. Funded by federal grants, this process allowed us to address our responsibilities to the Native American Grave Protection and Repatriation Act (NAGPRA). We have also continued to inventory and log items as part of identifying items as well as participating with loans to other museums.

Water and Sewer Rate Funds. These funds are established as Enterprise Funds. They are intended to financially maintain the operational costs and capital investments to our water and wastewater systems. We provide these services throughout the City, as well as services in neighboring townships through negotiated agreements. The City, working with the Grand Traverse Board of Public Works, addresses the ongoing operations and services, as well as providing accountability of the resources to provide these services.

Annually, the Finance Department conducts an analysis of both water fund and sewer fund cash flow projections. Due to COVID-19, currently city administration, working with the Finance Department and TCL&P have place a hold on all shutoffs as directed in the Governors Executive Orders. We've identified that penalties should be dismissed during this trying time at least through June 15, 2020 due to the significant number of our citizens, commercial and industrial customers who are currently out of work or shut down. The recommendation is that there will be

no rate increases for either water or sewer. This upcoming year we will be conducting a five year water reliability study. This will provide an in-depth study and evaluation of the water system, looking at priorities for future investment into the system.

Our water and wastewater systems are critical infrastructure, respectively providing and maintaining safe drinking water, and cleaning and sanitizing wastewater. Water is a vital element to sustain life. This year we are completing the replacement of the membrane project with the installation of the eighth and final membrane in the system. Staff will continue on the planning process with the East-West 24-inch water transmission mains. As we have Eaton Corp. complete their contract installing the AMI metering system, there are still meters that city staff will have to install. Staff will also be working on implementing the State of Michigan's requirements regarding the Lead and Copper rule. Originally we thought we may be required to replace as many as 50% of the service leads to properties within the city. After conducting research and working on several areas within the streets, we now believe that number will be less than 25%. This budget is inclusive of funds to work towards meeting the requirements over the next ten (10) years as required by law. Staff will continue to work with MML to work on the legislative front to address storm water legislation.

Parks and Cemetery. The City Cemetery, Parks and Forestry (CPF) have a significant area of responsibility comprised of 34 parks, trees along public streets, public facilities and open areas. The CPF staff maintains 386 acres, Oakwood cemetery, and cares for approximately 14,000 trees. This past fall we added one additional employee whose responsibility is split between Hickory Hills during the winter, Oakwood cemetery during the summer and working on trees during the fall and spring. We have made significant progress with the amount of tree maintenance with this addition. This year we have established a tree fund that has funds coming from various sources. Our new tree ordinance does allow developers to meet their requirements through paying into the fund. We also have funds that come from inadvertent cuttings, donations, other departments such as DDA, and a new policy instituted that for each vehicle the city purchases, we add \$100 to the fund to support the zero carbon footprint goal. We have also asked the community to support tree planting in the community and Norte' has stepped up by purchasing and planting trees. Tree canopy solutions are best addressed with a generational strategic approach.

Winter activities are important to Traverse City. As we experience the "Lake Effect" snow, which is 2-3 times the amount of snow as in many other parts of the state, Hickory Hills offers a plethora of outdoor winter sports and activities. The ski area was refreshed this past year and we just experienced our first winter in full performance. Use and activity jumped up and our citizens appreciate the new downhill runs and cross country ski trails. The business plan for Hickory Hills requires that we have events held that provide year round rental income. At this time, COVID-19 may restrict some of these activities.

Clinch Park Marina has a total of 118 slips with a distribution of 60% (70 slips) for seasonal users versus 40% transient slips (48). The marina use will change this year with the cancellation of the Cherry Festival as well as many other events. We expect that transient revenues will drop, as well as fuel sales; however, we do expect seasonal boaters, fishing and local users of the boat ramps to continue.

The Brown Bridge Quiet Area is 1,310 acres of City-owned property located in the central-eastern portion of the County. We contract with the Grand Traverse Conservation District to manage and oversee these properties. It is a passive park-like setting in which the Brown Bridge reservoir was removed in 2012. The City contracts with the Grand Traverse Conservation District to implement activities such as habitat improvements for fish and aquatic insects, soil erosion and repairs to stairways, boardwalks and wetland areas. This past year we completed the placement of the second bridge which completes a five mile walking loop. This spring and summer the ADA waking path will be completed, making the park more accessible.

The City applied for and acquired a TAP grant from MDOT towards the West Boardman Lake Loop Trail Phase I. This phase goes from 14th Street south through Northwestern Michigan College (NMC) property to Boardman Lake. The State, through the MDOT Local Agency Program (LAP), manages local government projects that utilize TAP funds, pays the contactor(s), and invoices the City for its share of the project. The city is utilizing Brownfield funds for our matching cost share.

Garage Fund. The City Garage fund is a self-funding internal services fund. We place rental values on equipment utilized throughout the City. This rental income, in turn, is transferred over to the Garage fund, which pays for the capital costs annually for the replacement and purchase of vehicles and equipment, in addition to funding operations and maintenance. Enclosed (page 131) is a complete and detailed vehicle replacement schedule for fiscal year 2020/2021. The fees are for operations and maintenance as well as replacement costs. We continue to research and identify vehicles and equipment that offer “green power” value (electric, LPG, solar). Working with TCL&P and its variable green rate initiative should assist with funding additional electrical upgrades in City facilities, as well as purchasing additional green power equipment. As referenced earlier, for every vehicle/equipment purchased the city will place \$100 towards the tree fund. The most significant purchase of vehicle replacement this year is a front line fire truck estimated at \$700,000.

Capital Infrastructure. I’ve advocated investment into infrastructure projects throughout the city primarily because we have not kept up with the investment through the decades. Infrastructure has a lifespan. Unfortunately, through the years we have fallen behind so continued emphasis is needed both for the daily use as well as safety and the reduction of liability of our infrastructure. Whether it is streets, sidewalks and storm drains, or water and wastewater equipment and hardware, or buildings and vehicles, they all have a useful life. But they do deteriorate and wear out. This past year we had a very successful year of a total rebuild of 3 ½ blocks of 8th Street as well as the extension of the 24” water line and sanitary line. We completed a storage building at Fire Station 2. We completed street preservation projects and gap and infill of over 1.5 miles of sidewalk as well as \$900,000 repairs on sidewalks throughout the city.

The City applied for and acquired a Safe Routes to School state grant which will be an MDOT managed project. We are being asked to provide the engineering as a local, in-kind match. This project is to serve student/pedestrian usage and safety for ten schools within the community. We

will continue for the next two years to complete the sidewalk gap and infill projects that have already been funded through the sale of bonds and which have already been bid.

We are planning on constructing the West Boardman Lake Loop Trail along with Grand Traverse County, Garfield Township and TART. Partnering with Rotary and DDA we are planning a Civic Plaza. Working with the Watershed Council and the State of Michigan, we are working on two grant programs targeting improvements on Kids Creek Crossings. Also, we're maintaining major downtown bridges using MDOT funds with local matches from the TC DDA. We are partnering on the vast amount of these significant projects with significant investments, much of which is grants. Much of our match to grant funding is in the form of in-kind staff time.

The most noticeable shortcoming of our existing public infrastructure is the growing maintenance needs of our streets. Our pavement preservation program addresses maintenance to street annually, extending their life span. Our funding source is from a county wide millage which expires at the end of this calendar year. I'm recommending that this millage ballot question be a top priority to renew for the next four years. Staff will be working on studying our water and wastewater treatment plants to address upcoming priorities within these systems.

This year city staff will be working with MDOT on their construction projects. Specifically they are working on M-31 and 14th street improvements and from 11th Street north to 14th Street. MDOT is working with city engineering on the upgrades and replacement of traffic signals. There are components of the project in which we participate. We are discussing the transfer of ownership of M-37, and are now working with MDOT as they redesign the Grandview Parkway from Garfield Street west to Division Street. This project is planned for construction in 2023, but requires staff time as we have other infrastructure that interfaces along that corridor. Staff is also working on a MDOT safety grant for the removal of a traffic signal and placement of a roundabout on Parsons and Airport.

Staff is working with the Great Lakes Fish Commission on the Union Street Dam/Fish Pass. This is the total replacement of the city owned dam which is well over 100 years old. The funding of this project estimated at over \$18 million comes from the federal and state government. The city's participation has primarily been the acquisition of easements, moving a water main and access to city properties during construction. The DDA has participated with acquiring a piece of property.

Summary. The health and economic disaster known as COVID-19 is having a tremendous impact on all of us. To what depth and length is an unknown. Our revenues overall are flat. This budget provides continuity of governmental services directed towards projects already planned and identified funding, much with federal and state grants. In 2009 President Obama and the U.S. Congress funded what was known as a "Stimulus Package" for shovel ready infrastructure projects. The federal government's plan was to stimulate the economy because much of the private investment had slowed tremendously. The stimulus packaged encouraged investment into public infrastructure projects to help keep the economy going for the short term, providing the private business and industry time to regroup or restructure. Our shovel ready projects will assist in completing infrastructure projects previously accepted as long term goals.

They will also allow many contractors, businesses and citizens to be employed while working on public projects that benefit the community.

We are also making significant cuts; even more than when we started this year's budget process. After the initial cuts, we have additionally cut the replacement of two city owned parking lots within the DDA, which were originally scheduled for asphalt replacement (\$130,000). Within the General Fund we cut park sign replacement (\$30,000), document management system implementation (\$25,000), fire detection and suppression system at fire station 1 (\$131,000), and cut sixteen (16) summer hires. These seasonal positions are cut because we will not be conducting a parks department childcare program (6) staff. Parks will see (4) seasonal positions cut. Cemetery (1) seasonal position cut. Police bike patrol (3) seasonal positions cut (\$110,000). Marina Staff (2) seasonal positions cut (\$25,000). These positions are all paid through the general fund with exception of the Marina which is established as an enterprise fund. By freezing or delaying hires or replacements due for retirement we can save an estimated (\$100,000). Downtown camera installation (\$100,000). Due to cancellations of events and other activities as well as cutting back, overtime is estimated to be cut over \$100,000). We have also cut back travel and training as COVID-19 will reduce the ability for attending public training events. We have been able to identify means of planting more trees, but are cutting back on parks staffing. It's important for this summer for everyone to recognize and adjust expectations of how all the parks, boulevards and open spaces may look from time to time. With less staff time, we will prioritize or even cut out certain maintenance areas. Staff is also working on addressing high water problems. The state has already communicated that there is not likely to be much assistance in this area for now. Staff has performed mitigation activities and repairs in a few areas, but with the high water getting higher, there is much that will be left undone until the water goes down. We will make it a priority to protect, save or repair public infrastructure.

There are five potential millage or fee ballot question requests that may proceed through Grand Traverse County elections this upcoming year. Ballot questions potentially include additional 911 fees; Joint Recreation Authority (Garfield & Traverse City); Senior Center with both a construction millage and operations millage, Grand Traverse Road Commission with a four year, one (1) mill for maintenance preservation. I've referenced earlier that the millage for street preservation is very important to maintaining our street program and I request that the City Commission endorse it by Resolution.

The past two years, the city and county worked together on a concept of building a senior center in Traverse City to meet the growing needs of the senior population as well as replacing a substandard building. The use of the current facilities are not only maximized, but the facilities are not meeting capacity needs. There was mutual participation of city and county elected and administrative staff participating in the process. The city, working in conjunction with the county, hired an architectural consultant to provide professional services which included public participation, space usage analysis, site plan and building placement. The discussion evolved from fundraising to potentially establishing a millage. At this time, I believe that the Friends of the Senior Center need to be consulted and engaged to see what continuing commitment they desire to pursue at this current time. There is a current plan developed by our Architect Ray Kendra for further discussion.

This budget demonstrates continuity of government and, providing essential services during these challenging times. It is vital that we continue with the immediate services of police and fire services, making safe drinking water and cleaning wastewater, ensuring that our infrastructure systems are working properly and safely. Most have a positive environmental component or positive ecological outcomes. We have a number of sizeable infrastructure projects that will help with the recovery by putting people back to work. Much of these projects are funded with federal and state funds, creating a synergy with our matches, particularly with engineering and administrative staff time. To support our wounded business community we have already waived shutoff and penalties for utilities and deferred payments for rentals.

I'm recommending that we support continued efforts by teaming with Traverse Connect, Grand Traverse County and the Traverse City DDA in continuing efforts that are currently being engaged during this time of all declared emergency and disaster. I'll be recommending entering into a service agreement with Traverse Connect to support the private business sector in getting back on their feet as well as ongoing investment into our community. We need to support our DDA and their efforts to assist the retail community to reestablish themselves. Jobs will come back if our businesses come back.

Staff will work with public and private organizations to identify means of continuing investment into additional housing. This will include policy adjustments to zoning code, working with state economic development tools, and partnering with neighboring jurisdictions such as GT County, The GT Band and non-profits such as Housing North, Safe Harbor, and Home Stretch. Much of our investments, not unlike 8th Street will continue to encourage investment into our community.

With the current volatile circumstances, we recognize that it is very fluid with changes occurring quickly. I'm recommending calm. Enter into this budget conservatively, monitoring the circumstances closely and adjusting as needed. It is important that government, whether at the federal, state or local level stay vigilant in providing critical services, which this budget provides, as well as investing into our community now as well as for the future. That is what many of our infrastructure projects provide, a local "Stimulus Package", that will help get private businesses on their feet and keep the local investment moving forward, which will spur local jobs and services.

We are scheduled to have a City Commission study session on the budget May 11th and will schedule additional study sessions as needed. A public hearing on the budget is scheduled for May 20, 2020 with approval of the budget scheduled on June 1, 2020. I thank the City Commission for providing the resources, and the staff for providing the essential quality services provided within our community.

Sincerely,



Martin A. Colburn
City Manager