

WORK SESSION TOPICS  
OCTOBER 8, 2018

1. Operating Budget Discussion:

A. Downtown/Capital Funds

(30 minutes)

Goal: Discuss the concept of restructuring downtown funds and refocus of boards

Attachments:

- ✓ Draft proposal

Recommendation:

If the City Commission is comfortable with this concept, input will be received from the downtown boards and a recommendation will be finalized.

Potential Questions:

1. Does the City Commission have any questions on the draft proposal?
2. Is there enough support to move forward with discussing the proposal with the downtown boards for input?

B. Potential Fee Changes

(30 minutes)

Goal: Begin discussing the proposed 2019 fee changes based on the Fee/Charges Policy Guidelines

Attachments:

- ✓ Fee/Charges Policy Guidelines
- ✓ Excerpt from Proposed 2019 Operating Budget document-(includes only the fee changes to be discussed tonight)

Recommendation:

Begin discussion on the application of the guidelines to the following fees and determine if additional information is needed or changes made before they are considered for approval.

- Water Demand Fee
- Water Service Fees
- Sign Permit Fees
- Building Fees

- Appeals Board Filing Fees

Questions on each fee:

1. Is additional information needed?
2. Is this a fee that the City Commission believes should not be set at a level to cover the entire cost?
  - a. If so, what is there about this service that results in the exception?
  - b. What percentage of costs should the fee cover?

# Restructuring of Funding Sources for Downtown and Refocus of Downtown Boards

## Draft Proposal

### INTRODUCTION

An ad hoc committee completed work in 2015-2016 to review and try to simplify the funding sources for downtown activities. Since that time significant discussion has occurred regarding the shortage of TIFA funds to be able to properly maintain the 13 parking lots in the downtown area, maintain the other infrastructure, and still be able to implement programs that maintain or grow the tax base.

In late 2016 changes were made to combine the Principal Shopping District Board and TIFA Board and the resolution indicated a review of the combined boards should occur in 2018.

Staff has reviewed these matters and is suggesting this comprehensive proposal based on that review. If the City Commission is interested in pursuing this concept proposal, it would be presented to the downtown boards for review and input and then finalized.

### WHY

- ✓ Downtown is both a social hub for the community and an economic center
  - Successful cities typically have a vibrant downtown and downtown areas are increasing in popularity
- ✓ Resolution passed by the CC which combined the PSD and TIFA Boards requires a review of combined boards by December 2018
- ✓ Restructuring of funds (done in 2016) for activities in the downtown has not resulted in a better overall understanding of financial funding and uses of funds
  - TIF capture does not generate enough to even cover the upcoming maintenance needs of the 13 parking lots and other public infrastructure needs let alone any other priorities of the TIF development plan
- ✓ Frustration/effectiveness of each board and lack of clarity on authority is growing
  - Everyone desires to have appointed boards successful in carrying out their duties
- ✓ According to Main Street national organization, there are four keys to a successful downtown and this proposal to realign and refocus the boards better aligns with each of them
  - Economic Vitality
    - Focused on by one primary board (TIF)
  - Design

- Infrastructure prioritized in light of all City priorities (CC)
  - Aesthetics/beauty of plants, landscaping (more temporary type aesthetics), snow removal of parking lots is focused on by one board (PSD)
- Promotion
  - Coordinated by City staff
- Organization
  - More clarity on which board focuses on which element

**OVERVIEW** (Details to be fine-tuned if concept is accepted)

**FUNDING:**

- ✓ General Fund/Capital Improvement Millage (GF/CI) responsible for maintenance of infrastructure assets just like other public assets in the City (parking lots, lights, streetscape improvements such as bricks, planters, benches)
  - Allow City Commission to look at broad view of City infrastructure needs and allocate resources accordingly
  - Recognizes that these parking lots, lights, etc. are public infrastructure for the overall public and not just for downtown business/residents
  - Transfer assigned TIF funds for Parking Lot 8 (2023) and 7 (2020) to GF/CI and GF/CI is responsible for all future parking lots
  - Current Unassigned TIF fund balance would be committed to a specific upcoming capital project
- ✓ GF/Recreation take responsibility for events
  - Has one department focused on City-wide events
    - Already do some city-wide events that are held downtown
  - GF allocation of approx \$85K will be allocated to Recreation department instead of downtown (need to sort out what is an event and what is a promotion)
  - One-half time seasonal position would likely be transferred to recreation to assist with the events being transferred (review of overall staffing and assignments in recreation may be needed)
- ✓ Downtown Development Director compensation funded by GF like other City staff
  - Clarifies responsibility for supervision
  - Provides funding for staff from a stable ongoing funding source (has been a goal for all positions)
  - Funded by a portion of the current TIF capture funds that will instead go to the GF (see below)
- ✓ Reduce Central Business District TIF capture to 0%
  - Returns approximately \$130,xxx City funds to GF/CI

- Returns approximately \$ 75,xxx to other units of government
- NOTE: TIF District and development plan would remain in place to support expenditure of existing fund balances and to provide a mechanism to reinstate the capture rate, if needed
- ✓ Allocate \$ [REDACTED] from Economic Initiatives Fund to TIFA Board to be used only for recommended programs identified to help grow the economic activity in downtown

## RESPONSIBILITY/AUTHORITY

- ✓ Separate Principal Shopping District Board from TIFA Board
  - Refocus Principal Shopping District Board on mowing, landscaping, plants, trash, snow clearing of parking lots and adjacent sidewalks, utilities
    - These are the services funded by the special assessment paid by property owners
    - These are additional services provided to the downtown area that aren't provided to other areas of the City
    - Meet 3-4 times per year
  - Refocus TIF Board on programs that improve economic activity; will provide more influence to the areas that the TIF board was originally created for – maintaining and growing the tax base and supporting economic activity
    - Façade grants/loans-existing
    - Fire suppression program-existing
    - New programs as recommended to be funded by Economic Initiatives Fund based on articulated long term goals/strategy to grow the economic activity – analysis from 2019 downtown goal can be used
    - Meet as needed
- ✓ City Commission responsible for more direct decisions on allocation of capital resources based on city-wide needs/priorities
  - Primary focus to be on existing infrastructure maintenance and replacement
    - Note: It will be important that input is sought from stakeholders in the same manner as other residents/businesses rather than refer matters that are outside of their re-focused authority to the downtown boards

- Will need to identify mechanisms to ensure that downtown/property owners know of input opportunities on future capital projects
- ✓ Downtown Development Director responsible for
  - Serve as staff liaison to the PSD and TIFA
  - Parking management
  - Marketing/promotion (non-event) based on input received from downtown businesses
  - Assist with information to/from downtown businesses and property owners regarding infrastructure maintenance projects
  - Implement programs for economic activity from TIF Board
  - Implement the projects/maintenance funded by the PSD
  - Provide grant assistance for state, federal or philanthropic programs
  - Conduct business retention visits and complete appropriate follow-up
  - Oversee/implement existing merchandise and outdoor dining policies
- ✓ Recreation department responsible for all events
  - Will need to have clarity on what is event vs promotion

#### **ADDITIONAL CONSIDERATIONS FOR LATER**

- ✓ Partner with others (CMURC, SBDC, MMDC or others) for incubator space/entrepreneurial services for downtown start-ups?
- ✓ Consider alternative use of Town Center space?
- ✓ Add Sub area plan focused on downtown in Master Plan –ask McKenna for a proposal?
- ✓ Consider re-engagement with Main Street state programs or other such programs focused on downtown success?

#### **NEXT STEPS**

- ✓ City Commission buy-in to concept
- ✓ Discuss/input from Principal Shopping District/TIF Board
- ✓ Finalize recommendation
- ✓ Implement into proposed budget for consideration/approval by City Commission
- ✓ City Commission make board appointments
- ✓ Implement January 1, 2019

## DOWNTOWN OVERVIEW

BOARD	CITY COMMISSION	PRINCIPAL SHOPPING DISTRICT BOARD	TIFA BOARD
FUNDING	<u>General Fund and Capital Improvement</u> Note: funds avail from taking TIF capture to 0	<u>Special Assessment</u>	<u>Allocation from Economic Inits Fund</u>
RESPONSIBLE FOR EXP RELATED TO	<u>Downtown Infrastructure (parking lots, lights, brickwork, benches)</u> <u>Events</u> <u>Downtown Director</u> <u>Parking enforcement</u> <u>Marketing of downtown</u>	<u>Aesthetics such as flowers, plants, landscaping</u> <u>Snow removal of parking lots and adjacent sidewalk</u>	<u>Façade grant/loan program</u> <u>Fire safety grants</u> <u>New programs to increase economic activuty</u>

# City of Mt. Pleasant

## Fee/Charges Policy Guidelines

### General Statement

Services/programs that generally fit the following criteria should be funded via fees/charges instead of general tax dollars.

- ü Service/program primarily benefits one property or one user
- ü User of the service/program generally has a choice/option to use it

\*Please note that services which are operated as enterprise funds/self-supporting entities are always funded only by fees/charges

- ü Water services
- ü Wastewater services
- ü Trash and recycling pick-up

### Calculation of fee/charge

The full costs for providing the identified service/program should be analyzed and fees/charges should be set at a level to cover the entire cost.

Exceptions to fees/charges covering the full cost (and instead only covering a portion of the cost) are very limited and include only the following:

- ü Recreational programs for children
  - o In these cases, the fee/charge is expected to cover some percentage of the cost and the rest is covered by general tax dollars.
  - o Fees/charges for these programs should have a lower resident rate than non-resident rate since general tax dollars are allocated to support the program.
- ü Other programs as specifically identified by City Commission action.

### Comparison to others

When the fees/charges are recommended for approval to the City Commission, information from neighboring communities should be provided as information comparisons.

*These guidelines should be reviewed every two years.*



**City of Mt Pleasant  
2019 Fee Recommendation**

<b>Water Demand</b>			
<b>Service/Program</b>	<b>Year Set</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Meter Size			
5/8"	2018	\$10.08	\$11.09
1"	2018	\$25.21	\$27.73
1.5"	2018	\$50.42	\$55.46
2"	2018	\$80.67	\$88.74
4"	2018	\$161.35	\$177.48
3"	2018	\$252.10	\$277.31
6"	2018	\$504.20	\$554.62
10"	2018	\$2,756.59	\$3,032.24

Note: Irrigation Meters are charged demand for six months

<b>Water Service Fees</b>			
<b>Service/Program</b>	<b>Year Set</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
5/8" Meter	1998	\$150	\$175
1" Meter	1998	\$200	\$275
Key Lock Valve - 5/8"	1998	\$20	\$95
Key Lock Valve - 1"	1998	\$25	\$145
Start & Final Meter Read <i>(if done by city staff)</i>	New	N/A	\$15
Service Turn Off <i>(at owner's request - after hours)</i>	New	N/A	\$125
Service Turn On <i>(at owner's request - after hours)</i>	New	N/A	\$125
Service Turn Off <i>(at owner's request - business hours)</i>	New	N/A	\$15

**City of Mt Pleasant  
2019 Fee Recommendation**

<b>Water Service Fees (continued)</b>			
<b>Service/Program</b>	<b>Year Set</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Service Turn On <i>(at owner's request - business hours)</i>	New	N/A	\$15
Damaged Meter Replacement <i>(installation)</i>	New	N/A	\$25
Calibration Check of Meter <i>(at owner's request - waived if found defective)</i>	New	N/A	\$75
Meter Removal & Storage <i>(at owner's request)</i>	New	N/A	\$60
Meter Reinstallation <i>(at owner's request)</i>	New	N/A	\$25
Hydrant Meter cost <i>(if not returned)</i>	New	N/A	\$1,000
Hydrant Meter Set-up	New	N/A	\$50
Hydrant Meter Tear-down	New	N/A	\$50
Contractor Water Usage - Annual	2005	\$35-\$50 <i>(depending on tank size)</i>	\$100

<b>Sign Permits</b>			
<b>Service/Program</b>	<b>Year Set</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Valuation/Cost			
\$0 - 100	1999	\$15	\$75 Flat Fee
\$101 - 300	1999	\$20	\$75 Flat Fee
\$301 - 500	1999	\$30	\$75 Flat Fee
\$501 - 1,000	1999	\$35	\$75 Flat Fee
\$1,001 - 3,000	1999	\$40	\$75 Flat Fee
\$3,001 - 5,000	1999	\$45	\$75 Flat Fee
\$5,001 - 7,500	1999	\$65	\$75 Flat Fee
\$7,500 - 10,000	1999	\$105	\$75 Flat Fee
\$10,000 and Up	1999	\$130	150
Portable or Temporary Signs	1999	\$1 per day	no longer applies

**City of Mt Pleasant  
2019 Fee Recommendation**

<b>Building Fees</b>			
<b>Service/Program</b>	<b>Year Set</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Valuation/Cost <i>(based on State of Michigan cost table)</i>			
\$0 - 500	1999	\$15	\$30
\$501 - 1,000	1999	\$25	\$50
\$1,001 - 10,000	1999	\$25 + \$10/1,000	\$50 + \$10/1000
\$10,001 - 20,000	1999	\$125 + \$9/1,000	\$150 + \$9/1000
\$20,001 - 40,000	1999	\$215 + \$8/1,000	\$240 + \$8/1000
\$40,000 - 100,000	1999	\$375 + \$7/1,000	\$400 + \$7/1000
\$100,001 - 300,000	1999	\$795 + \$5/1,000	\$820 + \$5/1000
\$300,001 - 500,000	1999	\$1,795 + \$4/1,000	\$1,820 + \$4/1,000
\$500,001 - 750,000	1999	\$2,595 + \$3/1,000	\$2,620 + \$3/1,000
\$750,001 & Up	1999	\$3,345 + \$2/1,000	\$3,370 + \$2/1,000

<b>Appeals Boards Filing Fees</b>			
<b>Service/Program</b>	<b>Year Set</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Building, Fire and Sanitary Sewer	Unknown	\$250	\$500
Zoning Board	Unknown	\$250	\$500

## Summary of Fee Recommendation

In July of 2017 the City Commission approved Fee/Charges Guidelines. The guidelines state that services or programs that generally fit the following criteria should be funded via fees/charges instead of tax dollars.

- Service/program primarily benefits one property or one user
- User of the service/program generally has a choice/option to use it

This does not cover services operated as enterprise funds/self-supporting entities are always funded only by fees/charges.

The full cost for providing the identified service/program should be set at a level to cover the entire cost. Exceptions to the covering full cost are limited to recreational programs for children and other programs specifically identified by City Commission action.

With these guidelines, all fees/charges were reviewed to prioritize the phase in of these guidelines. The fees/charges that were the most out of date and used most frequently were analyzed to compare to the cost to provide service. They were also compared to from neighboring communities. The following is a listing of the fee/charges recommendation contained in this budget. A schedule of proposed fee changes follows.

### **Water/Sewer Demand Rates – Water Fund**

A multi-year analysis of water/sewer rates is in Appendix F & G. Sewer bonds issued in 2007 will be paid off in 2019. Therefore, the portion of the rates allocated to debt can be allocated to the plant reserves to begin to put us in the position of pay as you go for improvements rather than debt. This can be done without a rate increase for sewer.

In order to adequately fund operations and reserves for the water fund, an increase in the monthly demand rate of 10% is necessary. This amounts to \$1.01 per month for a 5/8-inch household meter which is an average of 3.5% of the average monthly residential bill. This is less than what was anticipated in the 2018 rate study. Based on historical volumes, it is estimated the increase will generate \$135,000.

### **Water Service Fees – Water Fund**

The fee for a new water meter and key lock valves no longer covers the cost of these items from our supplier. We are recommending the fees be raised to cover the cost to purchase the meter from our supplier.

The water department provides some services for customers that we currently don't charge for. Since not all customers utilize these services we feel these should be a separate charge rather than covered in the charge for the utility. Currently when we transfer a utility account from one

customer to another it requires water staff to read the meter and utility billing to calculate final bills. We would like to encourage customers to read their own meters for utility billing to calculate final bills. Therefore, we are recommending a fee be charged for those who choose not to read their own meter. The attached table shows some additional fees we feel are appropriate to charge for additional services over and above providing the utility to the customer. Based on historical volumes, it is estimated the proposed fees will generate an additional \$31,500. We expect the charge for reading a meter, will cause the customer to read the meter and not generate additional revenue but rather save time spent on this task.

### **Building Permits – General Fund**

Building permit fees were approved in 1999. A fee recommendation was presented with the 2017 budget but was postponed until a fee policy/guideline could be adopted. The fees being recommended cover approximately 70% of the building safety department budget. The Building Official does more than just permits so this percentage meets the guidelines. A significant number of the permits issued are for under \$1,000 construction value. We recommend that the fee for projects less than \$1,000 be kept minimal and not cover the entire cost to process these permits. We believe that if the fee is set at the level to cover all the costs, it will deter residents from doing minor repairs and/or they will do them without a permit.

It is also recommended that the permit application construction value be changed from the current estimate of the project cost submitted by the applicant to the cost table prepared by the State of Michigan. We have found that this is the most widely used practice in building departments.

Additional special permit fees are recommended to be increased to reflect the cost of providing the service.

We also recommend the fees for appeals to Building, Fire & Sanitary Sewer Board of Appeals and Zoning Board of Appeals be changed to reflect the cost to process the applications. Based on historical volumes, it is estimated the proposed fees will generate an additional \$33,000