

November 24, 2008

Regular meeting of the Ludington City Council held in the Council Chambers of the Municipal Building on Monday, November 24, 2008, at 7:30 o'clock p.m.

Present: Mayor Pro-Tem Gary Castonia, Councilors Kaye Holman, Paul Peterson, Greg Dykstra, Brent Scott, Dave Weston, and Pete Engblade.

Absent: His Honor Mayor Henderson who was excused.

Also present were City Manager John Shay, Police Chief Mark Barnett, Fire Chief Jerry Funk, and Deputy Clerk Jennifer Christensen.

Invocation was pronounced by Councilor Pete Engblade.

Pledge to the Flag was given.

Moved by Councilor Dykstra, seconded by Councilor Holman, that the Agenda be approved as presented. Motion Carried.

The meeting was opened for public comments.

After no comments were received, the regular order of business was resumed.

Moved by Councilor Holman, seconded by Councilor Scott, that the minutes of the regular meeting held on 11/10/08 be approved as printed. Motion Carried.

The meeting was opened for the scheduled public hearing on the proposed 2008 Operating Budget and Capital Improvement Program. After no comments were received, the regular order of business was resumed.

City Manager John Shay summarized the individual budgets and outlined the changes that took place from the previous year.

2009 BUDGET SUMMARY

<u>FUND/ACCOUNT</u>	<u>CODE</u>	<u>AMOUNT</u>
Total Taxes	403-455	\$3,635,000
Total Licenses & Permits	451-477	51,800
Total Inter-Govt Rev	574-576	2,897,900
Total Charges for Services	608-651	153,200
Total Fines & Forfeits	658-659	33,000
Total Other Revenues	665-673	124,700
Total Reimb & Refunds	677-685	341,400
TOTAL GENERAL FUND REVENUES		\$7,237,000
PRIOR YEAR FUND BALANCE		\$ 0
Mayor & City Council	101	\$ 42,700
Manager's Office	172	226,800
Clerk's/General Accounting	215	301,800
Board of Review	247	2,800
Treasurer's Office	253	139,500
Assessor's & Building Insp.	257	290,200
Elections	262	25,000
City Hall & Grounds	265	103,100
City Attorney	266	58,200
City Property-Downtown	268	746,500
City Property-Other	269	3,200
Cemetery	276	189,100
Board of Ethics	290	200
Police Dept.	301	1,284,300
Pol.Clerical/Spec Police	302-304	67,900
Fire Dept	336	1,576,400
DPW-Municipal Services	441	303,700
Sidewalk Construction	444	69,400

Street Lighting	448	105,000
Garbage & Rubbish	528	595,300
Planning Commission	721	7,500
Economic & Comm Develop	728	74,500
Parks	751	268,800
Lifeguards	752	26,800
Launching Ramps	756	94,800
Insurance & Bonds	851	54,000
Contributions to Other Funds	960	559,500
Misc. Contributions	961	20,000
<b>TOTAL GENERAL FUND EXPENDITURES</b>		<b>\$7,237,000</b>
Major St-Rev	202	\$ 463,600
Prior Yr Fund Balance		0
Major St-Exp	202	463,600
Local St-Rev	203	521,200
Prior Yr Fund Balance		100,000
Local St-Exp	203	621,200
Recreation Rev	208	149,000
Prior Yr Fund Balance		7,100
Recreation Exp	208	156,100
Sr Center Rev	211	145,000
Prior Yr Fund Balance		8,800
Sr Center Exp	211	153,800
Waterfront Playground-Rev	215	1,000
Waterfront Playground-Exp	215	1,000
Movies in the Park-Rev	216	2,000
Movies in the Park-Exp	216	2,000
Bldg Auth Bond&Int-Rev	371	245,200
Bldg Auth Bond&Int-Exp	371	245,200
West Lud Ave Imp Proj-Rev	404	235,700
West Lud Ave Imp Proj-Exp	404	235,700
Bryant Woods Project-Rev	405	0
Bryant Woods Project-Exp	405	0
Building Rehab-Rev	422	954,800
Building Rehav-Exp	422	802,300
Capital Improv-Rev	450	10,000
Prior Yr Fund Balance		0
Capital Improv-Exp	450	10,000
DDA Operating-Rev	493	121,100
DDA Operating-Exp	493	114,200
Watchcase Contam-Rev	495	0
Prior Yr Fund Balance		15,000
Watchcase Contam-Exp	495	15,000
Cartier Park Impr Fund-Rev	508	175,900
Cartier Park Impr Fund-Exp	508	175,900
Water Plant-Rev	591-556	1,402,100
Prior Yr Fund Balance		229,400
Water Plant-Exp	591-556	1,055,100

Water Maint-Exp	591-000	576,400
Wastewater Treatment Plant-Rev	592	1,437,000
Prior Yr Fund Balance		5,900
Wastewater Treatment Plant-Exp	592-527	979,300
Wastewater Treatment Maint-Exp	592-000	463,600
Municipal Marina-Rev	594	1,269,300
Prior Yr Fund Balance		534,100
Municipal Marina-Exp	594	1,803,400
Site Assessment Fd-Rev	644	0
Site Assessment Fd-Exp	644	0
Motor Pool-Rev	661	714,700
Prior Yr Fund Balance		375,800
Motor Pool-Exp	661	1,090,500
Fringe Benefits-Rev	719	795,100
Fringe Benefits-Exp	719	795,100

City Manager John Shay explained that the City expects that 2009 and 2010 will be challenging years. Tax revenues will increase approximately \$77,200 for the General Fund in 2009, which includes \$219,000 that is captured by the Brownfield Redevelopment Authority to reimburse developers for various Brownfield projects and \$34,000 captured by the DDA to finance improvements to the Downtown area. Because of the state of the economy the City expects to receive less in Revenue Sharing payments which are derived from sales tax revenue received by the State. A \$41,000 drop in Interest Income was also factored in this budget. The General Fund budget is projected at \$23,200 less in expenditures in 2009 as compared to 2008. Fringe benefits as a whole will be reduced overall due to the City switching BCBS plans during 2008. John Shay also explained that the amount of the equipment rental charged to each of the budgets will be reduced. The City also has a Capital Improvement Fund which was set up to allow for transfers from the General Fund when the fund balance in that fund exceeds 20%. Currently, the General Fund Fund Balance is at 17% of expenditures, so no monies are expected to be transferred to the Capital Improvement Fund for 2009. The City is expecting to receive about \$27,000 less in gas tax money from the State of Michigan, which will impact the City's ability to repair the streets. In response to that, the General Fund's contribution to the Local Street Fund will be increased. City Manager complimented the Department Heads, Administrative Assistant Jackie Steckel, and City Clerk Debbie Luskin on a good job in preparing the budget in a fiscally responsible manner.

Tom Tyron, 305 E. Ludington Ave, explained that the City's perception of budget short fall is wrong; he believes that there will be a lot of money coming into the governments in January, and he asked that the City be prepared to take advantage of this money and be ready for the capital improvements.

After no further comments were received, the regular order of business was resumed.

Moved by Councilor Holman, seconded by Councilor Peterson, to adopt the 2009 Budget and Capital Improvement Plan. Councilor Holman explained that the Finance Committee spent three hours going through the budget process and she also publicly thanked the Ludington Daily News for their article in the paper regarding the budget the other night. Motion Carried.

Moved by Councilor Weston, seconded by Councilor Dykstra, that the request from Lawrence C. Ingle to drop the name of Patricia Ingle as partner in the 2008 Class C Licensed Business located at 519 E. Dowland St. be considered for approval. Motion Carried.

Moved by Councilor Holman, seconded by Councilor Peterson, that the Finance Report with total expenditures in the amount of \$400,293.04 for this period be approved and orders drawn according to the City Charter. Motion Carried.

Ordinance No. 187-08, an ordinance establishing the 2009 salary for the City Clerk at \$51,962 and for the City Treasurer at \$51,962, was presented for the first reading. Ordinance No. 187-08 shall be presented for adoption on 12/08/08 and is available for public inspection in the City Clerk's office during regular business hours.

Moved by Councilor Scott, seconded by Councilor Dykstra, to adopt the Resolution Approving the Letter of Understanding with Charter Communications. Councilor Scott explained that Charter Communications will move the

PEG channel from Channel 22 to a higher numbered channel, and will move this from an analog format to a digital format. In the past, Ron Maluchnik had been paid by Charter Communications to produce and broadcast the shows on Channel 22. In 2009, the City will now pay Ron Maluchnik from the existing franchise fee revenues the City receives from Charter. Charter could also assess up to a \$0.20 per subscriber monthly fee to support the PEG channel which would be added by Charter to a subscriber's bill. Councilor Scott publicly thanked Bob Dixon for his work at the library. Motion Carried.

Councilor Weston presented the Monthly Police Department Activity Report.

Ordinance No. 188-08, an ordinance to authorize the City Manager and City Clerk to enter into a Purchase Agreement with the Western Land Services, Inc. was presented for the first reading. Councilor Engblade highlighted some points in the agreement as follows.

- The City would sell the existing fire station property to Western Land Services.
- In return, Western Land Services would pay the City \$150,000 to acquire the former Varsity Cleaners site in order to construct a new fire station. If the City chose another location for the new fire station, the City would have to return the \$150,000 to Western Land Services.
- Western Land Services would also pay the City \$1,210,000 (including a 10% contingency amount) towards the construction of the new fire station. This sum would cover all construction costs, soil boring, survey work, and construction-management fees. Any costs in excess of this, the City would be responsible for.
- Western Land Services would also pay up to \$65,000 for the architectural expenses associated with the design of the new fire station.
- The agreement is contingent upon a number of factors including Western Land Services' ability to obtain financing for the project.
- The City expects to receive a \$650,000 CDBG grant to pay for parking lot improvements and to relocate the utilities in the alley. The grant agreement will have a number of requirements which must be met, or the State may require the City to repay a portion or all of the CDBG grant. The proposed agreement states that the City will be provided with a \$650,000 mortgage security interest in the property. This security interest will be in second position behind the bank's first position. If Western Land Services does not comply with all of the requirements of the CDBG grant, or declares bankruptcy and does not create enough jobs, the State may require the City to repay all or a portion of the \$650,000 CDBG grant.
- The closing would take place by April 30, 2009, though it is possible that this date could change based on when Western Land Services is ready to proceed with this project.
- The reconstructed parking lot east of Western Land Services' new building, the newly created angle parking on the north side of Loomis Street between South Robert Street and South Rath Avenue, and the existing parking space on the east side of South Robert Street between West Loomis Street and West Filer Street would remain public parking spaces. However, these spaces (except for 12 spaces on the north side of the reconstructed parking lot) would be reserved by Western Land Services' exclusive use Monday through Friday between 7:00 a.m. and 4:00 p.m., except for holidays.

Councilor Engblade explained that the above Ordinance was recommended for approval by the Building and Licensing Committee but that it was not unanimous. Councilor Engblade voted against recommending this purchase agreement for approval. His concern is that the underwriting of a private entity by the City is not appropriate. Councilor Scott questioned the potential liability to the City of \$650,000, and it was explained that the City could be liable up to \$650,000. The City could not be the first secured interest in this deal as the banks require that they be first secured interest if they are to provide the financing to Western Land Services. The City would then become the second secured interest. So if Western Land Services does not comply with all of the requirements of the CDBG grant, such as if it declares bankruptcy and does not create enough jobs, the State may require the City to repay all or a portion of the \$650,000 CDBG grant. Councilor Peterson stated that the City should pursue the improvements to this block; however, he did state that he opposes moving the Fire Department to the Varsity Cleaners site. He questioned whether the \$150,000 would include the demolition of the existing fire station. City Manager Shay stated that the demolition of the existing fire station is included in the \$1,210,000. City Manager Shay explained that the purchase agreement does not obligate the City to purchase the Varsity Cleaners site or any site for the new fire department. Councilor Holman explained that both she and Councilor Castonia were on the Building and Licensing Committee and they did not think that there was that big of a risk to take and consequently they voted for this purchase agreement.

Councilor Dykstra explained that the City Manager has recommended that the City directly operate and manage Cartier Park rather than having an outside party manage it through a Concession Agreement. Councilor Engblade questioned whether the seasonal managers hired by the City would be paid fringe benefits. City Manager Shay explained that the managers would receive a wage only and no benefits. It was explained that the Council did not have to approve this agreement as it is simply information from the City Manager and that Council be informed of the direction the Manager is taking to run this Park.

Councilor Engblade questioned whether the City had received any reimbursement yet from the June storm damage. City Manager Shay explained that the City has not yet received reimbursement of \$286,000 from the Federal Highway Administration (100% reimbursement) and \$55,000 from FEMA (75% reimbursed by FEMA, 12.5% by the State and 12.5% by the City).

City Manager Shay informed Council that the State has turned down the application to replace the Washington Avenue Bridge, the application was fine but only 2 of 5 large projects were funded.

Moved by Councilor Engblade, seconded by Councilor Dykstra, that the meeting be adjourned. So carried at 8:10 p.m.

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Jennifer Christensen, Deputy Clerk