

**CITY OF SAULT STE. MARIE**  
**GOALS FOR THE FISCAL YEAR ENDING JUNE 30, 2012**

**Developed at a Work Session of the City Commission  
February 28, 2011**

**Adopted by the City Commission on March 7, 2011**

## **GOALS AND BUDGET STABILIZATION PRIORITIES FOR 2011-12 FISCAL YEAR**

### **Introduction**

The Sault Ste. Marie City Commission met in an annual goal setting session on Monday, February 28, 2011 beginning at 9:00 a.m. and running until 2:15 p.m. This meeting was held in the Housing Commission Community Room located at 608 Pine Street.

The City Commission reviewed the current Mission Statement and 2010 Vision for the City of Sault Ste. Marie. In addition, the Commission reviewed the status of current goals for the fiscal year that will end on June 30, 2011.

The City Commission also looked at a summary of the current year budget as well as departmental fact sheets outlining staffing and budgets for each of the City's departments. Furthermore, the City Commission reviewed various reports and plans that have been developed for the City, including the 2006 Citizen Survey. The Commission also reviewed various ideas generated by City employees and Department Heads for the current budget year.

Finally, the City Commission reviewed the Guiding Principals that were developed by the 2003 Financial Task Force and utilized to guide City decisions over the budgets that have occurred since the Task Force's report to the Commission.

### **Budgetary Reductions**

As the City begins its budget process for the fiscal year that will begin July 1, 2011, it has become obvious that the City will need to develop a budget that will recognize significant reductions in state funding for the City of Sault Ste. Marie for the upcoming budget year. These are primarily from three sources, revenue sharing, gas and weight tax, funding for fire protection services to state facilities.

### **Revenue Sharing**

The City of Sault Ste. Marie has seen a rapid decline in revenue sharing over the past decade. In 2001, the City received \$2,101,096 in revenue sharing. Our budgeted revenue sharing for the current year is \$1,415,640. Revenue sharing is composed of two components – constitutional revenue sharing and statutory revenue sharing. In the current year, constitutional revenue sharing is estimated to be approximately \$900,000 with the statutory revenue sharing being approximately \$530,000. Governor Snyder's proposed budget is projecting a 4% increase in sales tax during the next fiscal year. By State Constitution, the City would receive an additional \$32,400 based on this projection of a 4% in state sales tax collections. This is, unfortunately, offset by a \$530,000 loss in statutory revenue sharing.

The Governor is proposing to develop an incentive program for collaboration and reduction of employee costs. The Governor is proposing that \$200 million state-wide be placed into this program (this replaces approximately \$300 million of statutory revenue sharing). Furthermore, it is unclear as to whether those townships who no longer qualify for statutory revenue sharing would be eligible to apply for the incentive funds. If this occurs, the pool of funds available for cities and villages would further be reduced. This reduction would be felt in full during the City's fiscal year beginning July 1, 2011 if approved by the state legislature.

### Gas & Weight Tax

Governor Snyder's budget does not include any changes to the taxes collected on fuel or licenses for vehicles. Gas and weight tax revenues have continued to decline based on vehicles getting better mileage and less fuel being sold on a state-wide basis due to the economic downturn. While costs for resurfacing and reconstruction of roadways continues to escalate for the road agencies that are paying for those improvements, revenue to those agencies has dropped from \$1,285,000 in 2005-06 to \$1,130,000 in 2009-10, a decrease in road funding being provided to the City by the state in the amount of \$154,783. It is not likely that any additional revenue will be available from an increased gas and weight tax to pay for street maintenance within the City during the 2011-12 fiscal year.

### Fire Funding

The City of Sault Ste. Marie receives funding from the State of Michigan for fire protection services to Lake Superior State University. These funds are provided to cities and townships hosting major state facilities, including universities, prisons, and other governmental buildings. This year, the City received \$183,277 from this source of funding. Governor Snyder's budget proposed a 15% reduction in this revenue to local units of government. If there are no changes to the formula, this would result in a \$27,500 loss for the City from this year to the 2011-12 fiscal year.

### Fund Balances

While the City's fund balance is projected to end this current fiscal year in sound condition, the City has been dealing with a structural deficit based, in part, on previous year's reductions in state revenue that, in the current 2010-11 budget, provides for the expenditures to exceed revenues in the City's three main operating funds as follows:

| <b>Operating Fund</b>                       | <b>Excess Revenues (Expenditures)</b> |
|---|---------------------------------------|
| General Fund                                | (\$221,567)                           |
| Major Street Fund                           | (\$228,893)                           |
| Local Street Fund                           | (\$ 96,947)                           |
| <b>Total Excess Revenues (Expenditures)</b> | <b>(\$547,407)</b>                    |

With the significant cuts coming in revenue sharing from the State of Michigan coupled with the structural operating deficit that has developed in the City's main operating funds, significant reductions in expenditures or collection of additional revenues is required in order to prepare a balance budget for the fiscal year beginning July 1, 2011.

### Goal Setting Process

With this backdrop, the focus of the Commission was primarily on how to address the reduction in state revenues on the operating budgets for the City of Sault Ste. Marie for this upcoming fiscal year. The ideas suggested by individual Commissioners were listed and divided into six categories for review, which included Operations, Collaboration, Revenues, Employee Costs, Appropriations, and Capital Outlay. In each of these categories, the Commission outlined its priorities, which each Commissioner selecting 7 top priorities. The numbers indicated within parentheses (3), for example, indicate that 3 Commissioners felt this was a priority. Following

this ranking, the Commission was then polled to determine whether they would object to pursuing cost reductions or revenue enhancements in any of these areas. Any of the areas where a majority expressed objections are listed under Other Ideas in this report.

The Commission acknowledged that budget stabilization goals identified in this report do not sufficiently address the operating reductions necessary to meet the Governor's proposed budget in and of themselves. They do provide direction as to areas that should be addressed in finding an overall solution for the development of the 2011-12 fiscal year budget.

## **A. Operations**

**A.1.** Close Riverside Cemetery during the winter months. (3)

**A.2.** Consolidate various City departmental functions such as DPW and Parks & Recreation (3)

**A.3.** Develop fees to benefit the City in regards to medical marijuana dispensaries if the Commission makes the decision to allow them within the City of Sault Ste. Marie.

**A.4.** Provide a report on ADP Timekeeping System prior to the end of the fiscal year in regards to its use, cost, and benefit to the City.

**A.5.** Turn the thermostat down in all buildings.

**A.6.** Develop a recognition program for property owners who improve their businesses and personal property.

**A.7.** Look at opportunities to reduce rent payments for the DDA and Police Department.

### **Other ideas not supported by a majority of the Commission.**

- Reduce the hours of operation for the composting facility.
- Reduce sidewalk plowing.
- Reduce funding for the operation of the Historic Homes.
- Reduce funding for Sanderson Field.
- Reduce the composting program.
- Eliminate the City Spring-Cleanup

## **B. Collaboration**

**B.1.** Explore collaboration opportunities with other governmental units, including the townships, County, Tribe, University, and State of Michigan. (4)

**B.2.** Explore consolidation of the building permit process with Chippewa County. (4)

**B.3.** Look at the possibility of combining the Michigan State Police with City Police in one facility. (1)

## **C. Revenues**

- C.1.** Eliminate the courtesy ticket currently being provided by parking enforcement. (2)
- C.2.** Evaluate the possible use of the Federal Building to house the Police Department. (1)
- C.3.** Charge a 1% administrative fee for City tax bills on the City's portion of the taxes. (1)
- C.3.** Encourage the early season rental of the Pullar facility when most groups are looking for additional ice time.
- C.4.** Market the Pullar Building for more extensive use during non-ice seasons.
- C.5.** Increase the cost of building permits.

### **Other ideas not supported by a majority of the Commission.**

- Charge a fee for the use of the City's boat launches to cover maintenance and repairs to those facilities. (1)
- Charge out for police call-outs for nuisance disturbances.
- Develop a financial report and use of the City's parking structure.

## **D. Employee Cost**

- D.1.** Reduce the overtime in all departments. (5)
- D.2.** Implement a two-tier wage system for new hires. (4)
- D.3.** Reduce pension costs for new hires. (3)
- D.4.** Consider a 0% wage increase for all employees, including the Mayor and City Commission. (3)
- D.5.** Consider a 5% pay deduction for all employees, including the Mayor and City Commission. (3)
- D.6.** Limit health care to employees only. (2)
- D.7.** Consider the use of furlough days to reduce City expenses. (1)
- D.8.** Implement mandatory direct deposit for payroll.

## **E. Appropriations**

- E.1.** Consider an increase in fees to reduce the subsidy for the Dial-a-Ride Transportation System.
- E.2.** Consider an increase in fees to reduce the City's subsidy for the Bridge Bus.

**E.3.** Consider eliminating support to the Straits Area Narcotics Enforcement (Added at the March 21<sup>st</sup> City Commission Meeting)

**Other ideas not supported by a majority of the Commission.**

- Eliminate funding for the fireworks display. (1)
- Reduce or eliminate the program funding to youth groups.
- Reduce or eliminate the contribution for fire equipment.
- Reduce or eliminate funding to local streets.
- Reduce or eliminate funding to the EDC.
- Reduce or eliminate funding to the DDA.

**F. Capital Outlay**

**F.1.** Reconstruct and resurface the Pullar parking lot. (2)

**F.2.** Divest of the municipal golf course. (2)

**F.3.** Utilize space on City facilities for various alternative energy placements.

This is the summary of various budget stabilization goals that were discussed at the goal setting session by the City Commission on Monday, February 28, 2011.

Respectfully submitted,

SPENCER R. NEBEL  
City Manager

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