

A special meeting of the Ishpeming City Council was held on Thursday, June 2, 2011 at the Ishpeming City Hall. Mayor Scanlon called the meeting to order at 9:30 a.m.

Present: Mayor Pat Scanlon, Council Members Claudia Demarest, Elaine Racine, John Stone and Mike Tall. City Manager Jered Ottenwess was present.

Present: Five (5). Absent: None (0).

Agenda Comment

None

Budget Work Session

City Manager Ottenwess presented the second power point presentation outlining the City's Capital Improvement, Water and Sewer Funds.

The Capital Improvement Fund revenue consists mainly of property taxes and reimbursement for equipment use from the Major & Local Street funds. Manager Ottenwess explained that the reimbursement for equipment use is offset by a transfer back to the Major & Local Street Funds. This is necessary to accurately report our street expenses to the State of Michigan. The main expenditure categories in the Capital Improvement Fund are typically DPW, Fire and Police activities because of their equipment purchases.

The Water & Sewer Funds are enterprise funds and Manager Ottenwess explained the difference in accounting within these funds including accounting for depreciation of assets. Approximately 51% of the Sewer Fund expenditures are to the Waste Water Treatment Facility, the Payment in Lieu of Taxes accounts for 19% and approximately 10% for Administration which does not include billing expenses.

The Water Fund expenses approximately 33% to the Water Authority and 22% for Transmission and Distribution type expenditures. Our water system loses around 40% of the water that we purchase from the Authority. A system that bills around 80-90% is considered to be in good shape. Manager Ottenwess explained that although this is not an ideal situation, the dollar amount that is spent on the loss would not pay for many repairs. The recent 2nd, 3rd, 4th Street project was approximately \$700,000 and only 3-5 blocks were repaired. Even if we were to consider bonding, the money obtained would not repair a major portion of the City. The focus for the future is to review the system and plan for sections to repair. The cost to obtain a Mapping and System Analysis would be around \$50,000. Some of this work has already been performed by ECI.

Manager Ottenwess continued the presentation explaining the pros and cons of PILT versus establishing a Sinking Fund. He explained that it would be beneficial to the Water and Sewer Funds to eliminate the PILT as USDA/Rural Development does not favor seeing a PILT on the books. Rural Development is one of the best funding sources for grants and loans to repair/replace infrastructure and continuing the PILT could jeopardize future funding. The flipside to elimination of the PILT in the Water and Sewer Funds, would be the PAINFUL effect that the loss of revenue would have on the already revenue strapped General Fund. Manager

Ottenwess displayed a chart that proposed a 10 year plan to gradually (10% each year) decrease the PILT and establish a Sinking Fund in the Water and Sewer Funds. Manager Ottenwess reiterated that this would cause a loss in General Fund revenue.

Mayor and Council thanked Manager Ottenwess for the presentation. Councilman Stone stated that he believes that we need to establish a sinking fund to avoid this issue in the future. Mayor Scanlon stated that the sinking fund would make the Water and Sewer Funds mirror a business by investing back into those funds. Councilman Tall questioned USDA/Rural Development funding and whether something could be established now to obtain future funding. Council believes that the Mapping and System Analysis is something that should be completed as soon as possible. Manager Ottenwess stated that several items are currently being pursued to help relieve some of the issues in the Water and Sewer Funds, such as the MI Rural Water Association rate study, obtaining a GPS unit to develop a database of our system, obtain the water analysis data already completed by ECI and connect with NMU's WI-Max to permit laptop use in the field of the database information. DPW Director Jon Kangas also stated that the new Sensus water meters, that are replacing the current Badger meters, are guaranteed for 20 years and will provide more accurate billing. Manager Ottenwess will obtain cost/funding information for the Mapping and System Analysis to be reviewed at the regular council meeting.

Adjournment

A motion was made by Councilwoman Demarest with support from Councilman Tall to adjourn the meeting at 10:18 a.m. Ayes: Five (5) Nays: None (0). Motion carried.

Anita K. Keto
City Treasurer