

May 5, 2008

The Honorable Leon Clark  
Mayor of the City of Mason and  
Mason City Councilmembers  
Mason, Michigan 48854

**RE: Annual Budget Report  
Fiscal Year 2008/2009**

Dear Mayor and Councilmembers:

It is my pleasure to present to you the annual budget message and proposed budget for the upcoming fiscal year. As City Administrator and Budget Officer for the City of Mason, my established responsibility is to create the budget to meet the upcoming needs of the city. This budget document demonstrates the resources we have available and the services and goals are being addressed. Furthermore, the budget document is also intended to be a means of documenting actions taken by the city for auditing and historical purposes.

Since 2001 the State of Michigan continues to experience economic woes that negatively impact employment, and economic development. The national economic outlook appears to be teetering into a recession. Fortunately in Michigan and particularly mid-Michigan we do not appear to have such a significant negative downturn because the state has never fully recovered from the last recession. To date, this has in a strange way limited the impact on Mason. The U.S. housing industry has hit bottom and is wreaking havoc on the mortgage and financial institutions of our nation. The stock and bond markets are unstable and sending an ominous signal that a recession could be near. While the national unemployment for February 2008 is 4.8%, the Michigan rate is 7.2%.

The City of Mason has postured itself in recent years to sustain some of these pressures. However, we are not recession proof nor are our citizens. Our healthy environment is based on a citizenry that, compared to many communities, is our stability. One benefit is our diversified housing stock. This is reflective of our citizens and how they are integrated into the work place. Mason is the County Seat of the Capital County. We maintain a strong position because of our central location, which allows our citizens to conveniently work locally or within two urban areas of Lansing and Jackson. We have more people coming to work in Mason than leaving on a daily basis which assists with our commercial and economic health.

We have implemented a financial plan which has placed the City of Mason on a stronger economic standing. We have been somewhat conservative in our expenditures and have not added additional services unless they were demanded or absolutely necessary. By being fiscally conservative, we put ourselves in a position to not only meet our financial obligations, but also to continue to work on meeting the City Council and community goals and objectives.

Most of this past decade has demonstrated the city's strengths in reinvesting in infrastructure and working with development to create business, industrial and residential units. This in turn has led to jobs creation and continued investment which is demonstrated in the growth of the city tax base as well as the amount of reinvestment property owners are making to their homes and small businesses.

The city has been reinvesting into itself by having a strong capital street maintenance program and replacing obsolete playgrounds with new equipment. We have been allocating maintenance dollars towards tennis and basketball courts, the skate park, bathrooms, sidewalks, and paths within the parks system. We are replacing light poles at the softball field and purchasing maintenance equipment to enhance the maintenance of park grounds. We have reinvested in our water systems and maintained our sanitary system. We continue to address new and ongoing technology needs. This includes partnering with regional programs such as law enforcement communications and computer software systems to allow agencies to communicate more efficiently.

We are more than capable of keeping up with the growing and changing needs of our community as well as preparing for the future. The city continues to take advantage of grant opportunities and other resources to enhance and maintain our assets as well as leverage our financial abilities to getting our citizens the best value for their tax dollar.

## **ZONING AND DEVELOPMENT**

Following six years of well-above-average residential housing growth from 2000 through 2005, growth has slowed down significantly. We averaged over 107 new housing units per year during that period

In 2006, we added only 35 residential units and in 2007 we added an additional 15. However, as regional and national markets began to slow, we did expect our own market to do the same. As of the end of February 2008 the city of Mason had 29 residential properties in foreclosure. Our Assessor has stated the amount is approximately three times the normal amount.

New residential construction has been at a near standstill, yet March 2008 six new building permits were pulled for new residential construction in the Summerwood subdivision (Summerwood, 72 units) located south of West Columbia.

The city did experience a large growth in real and personal property investment this past year in industrial and commercial construction. Gestamp SSAB HardTech has been competitive acquiring contracts within the auto industry. With their success has come additional investment to enlarge their existing facilities. This past year they completed an 112,000 square foot addition to add more production lines. Originally they purposed a \$60,000,000 investment, but upon recent completion, the city has been notified that the investment totaled \$71,000,000 with approximately \$20,000,000 in real property and \$51,000,000 in personal property. Gestamp SSAB HardTech has started production and expects to be in full production by the summer of 2008. The City did participate in this success by providing Industrial Facilities Tax abatement. I am expecting to receive another request to cover the additional \$11,000,000 investment. As a result of this project new job creation has begun and we expect to see a minimum increase of fifty jobs by the end of 2009.

The city also saw the completion of Dr. Owens new medical facilities on South Cedar Street as well as the addition of the beautiful dental facility of Gulick & Gulick DDS in the same block. The latter facility also houses Dr. Sims, Optometry and a head and spinal physical therapy facility.

There are available lots in the subdivision projects of Rayner Ponds, Riverwalk Meadows, the Condominiums at Rayner Ponds and Evergreen Woods. Evergreen Woods on East Ash Street is designated as a senior citizen community and is near completion. The developer just received approval for a rezone of adjacent property to the east which will allow them to add eight additional units bringing their project to a total of 26 units. A preliminary site plan has been accepted for an Assisted Living facility. The current concept purposes to develop up to 40 units.

Mason First Church of the Nazarene received authorization to proceed with the construction of a 15,380 square foot youth activity center on the north side of M-36 between Dexter Trail and Ives Road. This will include three soccer fields and a softball field. This is the first phase of their church complex planned on the 44 acre parcel. This land was brought into the city by annexation in 2001.

The South Temple Street extension, constructed in part due to a development agreement with the Jewett Trusts administered by the Anderson brothers made approximately 79 acres available for development. Since then the Anderson's donated approximately seven acres of this property to the city for the new federally mandated water treatment plant. The development area is planned for a combination of commercial use on the northern side, with potential multi-family use, as well as mixed use, with an emphasis toward industrial on the southern tier. The available land immediately east and northeast of this property is currently zoned Agriculture (AG). The Master Plan envisions this area planned for residential and Planned Unit Development (PUD). This allows for the planned growth of the community, including property for residential, commercial, and industrial development. These areas are likely to develop first around the city.

Our regional economy is still very much based on the auto industry. It is expected that the next two years will be tough for the auto makers due to the national and international economy. The regional job market growth is in the insurance industry. Both Jackson National Life and Delta Dental are expanding. We are also seeing the medical field and its support industries grow with the expansion of jobs available. Mason has made contact with Sparrow Hospital and participated in their Master Planning process for services in the region as well as the Mason area.

The current city parcel count grew slightly. In 1999, we had a parcel count of 2,595. This year our parcel count at 3,795. Historically, Mason has experienced continued growth as shown in the diagram below. In 1950, the U.S. Census bureau showed the population of Mason residents as 3,514. The most recent census and our estimates indicate Mason’s population was roughly 8,100 in 2006. I believe the population count has started a reverse trend since. The housing stock has been growing as well, from 1,151 units in 1950, to 2,961 in the 2000 census.

Year	Population	Number of Housing Units
1950	3,514	1,151
1960	4,522	1,402
1970	5,468	1,689
1980	6,019	2,153
1990	6,768	2,463
2000	7,164	2,961
2006*	8,100*	3,580*

\*Based on estimates by the City of Mason as of April 1, 2006.

Staff is currently working on preliminary mapping updates with the U.S. Census Bureau in preparation of the 2010 census. Staff is reviewing maps and census tracts with Census staff to ensure that they have current data. Ensuring we provide accurate information is critical in assisting the U.S. Census Bureau staff provides the most accurate data possible for the 2010 census. The population number is important when applying for grants, state-shared revenue distributions, and marketing studies performed by private industry while seeking locations for development investment.

The City continues to provide forgivable housing/loft rehabilitation loans in the Mason downtown area. The primary intent of our involvement is to encourage property owners of the downtown buildings to reinvest into their properties, maintaining the core historical buildings, while providing affordable loft apartments. Over the six year lifespan of this program, we will have completed 22 loft apartments. These lofts have been renovated with Michigan State Housing Development Authority (MSHDA) forgivable loans in the amount of \$700,000 and private matching funds. The combined investment into the downtown loft program is over \$1,050,000. MSHDA staff has indicated we will probably not be on their priority list for the next round of grants due to limited resources and growing requests from other communities. Staff does plan to

continue working with MSHDA on evaluation of our needs and intends to continue applying for available grants, particularly if we can identify a specific distressed property in need of investment to keep the building viable.

## **CITY FINANCE**

The most recent investments in our industrial and commercial tax base have continued to grow the city tax base. We have seen across the board cost increases of products and services, due in large to the increases in petroleum products, utility rate increases and medical health care coverage. We saw improved investment rates increasing fund revenues due to the investment interest rates increasing. However, with the recent decrease in interest rates from the federal central banks policy, this will slow down investment growth.

The inflation rate for 2007 was 2.3%. The health care industry expects double-digit inflationary costs for health insurance. This past year we saw the Fraternal Order of Police non-supervisory union join the rest of the city, changing health carriers Blue Cross/Blue Shield to the Municipal Employee Retirement System (MERS) health program. We initially experienced a 20% decrease of employee health care costs in our first year and are expecting to see industry norms estimated at 10% of increases to this service. The MERS coverage is better coverage than BC/BS and has the addition of vision care.

Energy costs of natural gas and electricity are expected to increase by an average of 8%. The price of gasoline is erratic. Gasoline has had an impact on budgeting and we are expecting additional increases in the coming year.

Our General Fund pays for many governmental services, including police, fire, city council, administration, elections, finance, zoning code enforcement, building inspections, cemetery, parks and forestry, assessing, treasury, crossing guards, facilities maintenance, street and sidewalk repairs, cable services, and library upkeep. The Council Goals and Objectives are worked into the budget through the appropriate fund.

The City Administrator and Finance Director have worked with all the departments to continue to meet the goals and objectives of City Council, while maintaining expenses. The current year's expenses do not have us utilizing any of the General Fund reserve as planned. The intent of building the reserve is to meet the goal of building a new Police Station/City Hall. Projections indicate we will end the year with a surplus of \$540,790. Now, with two years of saving these funds, the recommendation to Council is that we reserve an additional \$500,000 totaling (\$1,000,000) for the Police Station/City Hall. This still allows us to carry a necessary reserve to provide cash flow and cover emergency expenses and other unknown necessities that may come up.

We have created a healthy financial picture, particularly when considering the economic climate. With the current funds planned for and reserved, as well as the additional funds from this upcoming budget, it is time to proceed with building a new Police Station/City Hall. It has been necessary to save funding resources for some of the upfront costs, but we have demonstrated to ourselves and the public that we have acted responsibly with the public funds and can proceed with this project without requesting any additional funding sources.

Both real and personal property taxable values have increased from \$218,579,528 in 2007, to \$222,574,119 in 2008. This is an increase of \$3,994,591 in taxable value. It is anticipated that this increase will generate \$52,928 in additional city funds.

The State of Michigan continues to discuss fiscal matters that may impact state-shared revenues. At this time, the Governor's Office is submitting a 4% increase for statutory revenues. That is equivalent to a little over \$6,000 annually. The Michigan State Senate has not reached common ground on where state-shared revenues will be fixed for the upcoming year and our District Senator Valde Garcia has essentially advised us not to count on any increase. This budget does not reflect the potential additional funding.

Our current estimate of revenues as a percentage of the annual estimated revenues are 11%. The average percentage of the general fund of cities within the state, estimated by the Michigan Municipal League is 25%. City staff has projected zero growth into the 2008/2009 budget. The state demonstrates a slight decline in actual revenues due to decreased sales tax collection. Projected state-shared revenues in March of each year are as follows:

2001/2002 = \$851,978  
2002/2003 = \$710,021  
2003/2004 = \$729,438  
2004/2005 = \$675,000  
2005/2006 = \$667,000  
2006/2007 = \$663,070  
2007/2008 = \$647,900  
2008/2009 = \$640,250

It is in the City's interest to continue to communicate with state lawmakers to maintain and grow our revenue sources. The real solutions to the state financial challenges need to be key decisions on either cutting costs, or identifying and raising revenue resources. The answer is not to take other government resources that have been committed through compromise and law over many years. This breaks the trust of being able to work together with compromises on key legislation in the future.

We need the state to be consistent and provide stability. Unfortunately, with the political climate within the state, it has not been conducive to provide the stability to state services as well as the image the state present's nation wide. This in turn is having an impact on economic development and future growth.

Being creatures of the state, municipal governments have limited methods of raising revenue. Our means for raising funds legally include property taxes, user fees, and income tax. The City of Mason does not implement an income tax. However, there are cities in the State of Michigan, including Lansing and Jackson that do charge an income tax.

Projections for the end of Fiscal Year 2007/2008 leave us with \$893,682 of unrestricted funds in the General Fund going into FY2008/2009. We will have \$309,212 restricted for construction code activities, a new designation from our auditors regarding tracking of these revenues, and \$1,000,000 reserved for the Police Station/City Hall.

We currently have four employees that are, or will be, eligible for retirement this upcoming year. Two have committed to stay, and one is planning on retiring. The one employee retiring is from the department of public works, so final payouts will come from the water/sewer fund.

Mason has been fortunate to have saved funds for economic downturns and special expenditures. I have recommended in the past that we carry a minimum of 15% in the fund balance. In the current proposed budget, 15% is \$805,128. With the above-referenced unreserved balance we are carrying 16.65%. A healthy General Fund balance becomes more critical if other funds are unable to carry an adequate fund balance. Governmental Accounting Standards Board (GASB) 34 requirements are helping us in this endeavor. We now carry employee benefits in individual divisions within the budget instead of as Burden. This reduces transfers from other departments into the General Fund and deflates the overall numbers within the budget.

Interest revenue from City investments are increasing. General Fund interest revenue is anticipated to be \$75,000. The Finance Director will continue to make strategic investments to enhance our revenues.

## **ADMINISTRATION**

The State Election Consolidation Law passed a few years ago intended to consolidate all the election dates for schools and local governments into four dates. These are the fourth Tuesday in February, the first Tuesday after the first Monday in May, the first Tuesday after the first Monday in August, and the first Tuesday after the first Monday in November. This year, on January 15, 2008, we held an unscheduled presidential primary. The election date was moved up with the intent of Michigan playing a larger role in the presidential election process. Both political parties failed to follow their party rules and Michigan has subsequently lost influence within the political process.

The good news within the election community is that the Mason Public School District has decided to hold their elections with Lansing Community College in the general election of odd years. This will cut in half the amount of elections they hold and reduce

one stand alone election the city was conducting annually as their election coordinator. This will not preclude them from holding a special election with the one floating date per year allowed by State law.

This year we will be conducting the primary and general election which is inclusive of the presidential election. We are expecting the presidential election to be the largest turn out ever. In the 2004 general presidential election, Mason had a 73% turn out. We currently have 5,500 electors in the city of Mason and we are expecting a turnout of 80%.

This past year we established an Absentee Voter Ballot Counting Board which will relieve our three precincts. Staff has changed the set-up and stations of activities of the recent election in December. By moving part of the operations upstairs, adding voting booths and utilizing the new voting machines, movement through the voting process was much more efficient.

We also established Receiving Boards to eliminate procedural problems with the precincts. The State and County encouraged additional checks and validations of accuracy of the precinct workers because there have been a number of concerns about human error which can negatively impact recounts. This does add additional election workers, but it is necessary to add the AV Counting Board and Receiving Board to insure quality control of the elections. The AV Counting Board and Receiving Board will not work as many hours as precinct workers, but they will provide checks and balances.

Reporting employers post employment benefits other than pensions (OPEB) is a new requirement from the GASB Statement Number 45. This intent of this new rule is to recognize the cost of providing retiree healthcare coverage over the working life of the employee rather than at the time the healthcare premiums are paid. The city is required to obtain a valuation of the liability to provide retiree healthcare benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). This budget reflects an estimated ARC of \$60,000. We must accomplish the valuation this year so that we can start contributing.

The city has several pension accounts that are funded by both the city and employees, depending on the account. The accounts are broken out by unions as well as the non-union account. The accounts, particularly the non-union has had a significant amount of retirees in a short period of time without the benefit of long term valuations. This budget reflects \$50,000 to maintain the MERS accounts above the 80% level.

The Mason Senior Citizens' Club continues to grow. I meet with the group once a year and it is noticeable that the group is growing. They no longer request the City install an elevator to replace the mechanized wheelchair lift at city hall as they are aware we are planning to construct a new City Hall and the issue will be resolved. There are funds in this budget for required maintenance checks for certification of the lift, as well as in the building maintenance fund for any required minor repairs. The Senior Citizens' Club budget has increased from \$5,295 to \$5,500.

The new Police Station/City Hall has been foremost on our mind. However, there is a significant amount of preparation and planning required for a project of this size. We have been conducting research on the types of construction, materials, layouts, and funding for the future facility. We have taken several trips to other local government facilities and investigated types of furniture, interior and floor construction, environmental friendly methods of building and a wealth of various ideas and concepts that will assist in making appropriate and effective decisions in the design phase. This budget has been compiled with the intent to continue to provide the necessary and traditional services the residents of Mason expect, as well as to establish the internal funding ability so we do not have to institute additional tax resources to fund the facilities.

In the upcoming budget staff is recommending the use of Council's reserve funding with this year's budget estimated surplus of \$540,790 totaling one \$1 million dollars for the future construction of the new municipal city hall and police station. Taking most of this year's funds combined with last year's reserved funds will allow us to reserve \$1,000,000.

The Capital Area District Library (CADL) conducted a study on how they may proceed with the ownership, building, and maintenance of libraries within the district. The outcome calls for a millage question on an upcoming election ballot to raise approximately \$83.13 million. This increase includes the construction of five new libraries, and repairs and renovates eight others. Upon successful passage by the voters of CADL's Capital Improvement Plan millage, CADL has committed to allocate \$5,971,049 for the construction of a new library in the City of Mason. The City Council approved Resolution No. 2008-02 which provides property to CADL from the City of Mason to construct the new library on. The City of Mason also required, as a prerequisite, that the city be provided equal status of "Participating Membership" by the CADL Board.

## **POLICE**

The Mason Police Department is staffed with 13 certified full time officers. The City shares with the Mason School District the cost of one officer who serves as a School Resource Officer (SRO). The School District's portion of this position is \$15,500. This program continues to be very successful, with the officer addressing many issues right on campus, as well as being a conduit for pertinent information to assist with casework.

This past year large steps have been made in the advancement of the technology of the police department. Mobile computers were installed in all the police cruisers, through a Homeland Security Grant. We also upgraded the cameras from VHS format to digital, providing a better quality of video and sound. A Michigan Municipal Risk Management Association (MMRMA) grant assisted us in the purchase of new cameras. The infrastructure to support the new reporting software system has been installed and the

wireless link to Ingham County as well as for downloading reports and video has increased the capabilities of the department

Our bike patrol program expanded with a renewed interest from our police officers. This program assists us with stealth, patrolling the parks and Hayhoe Riverwalk. The program has many other benefits: officers keep physically fit, help with crowd control at parades, public relations, and strengthens direct community contact while patrolling our neighborhoods. We did away with the Harley Davidson motorcycle this past year due to escalating costs from the dealership. The value no longer outweighed the cost.

Chief Stressman has a dedicated an emphasis on education and training; specifically, on weapons qualifications, which are important for self-defense and reduced liability. We continue to train with tasers and also train other agencies to use this weapon. In return for providing this training, our officers receive training from other agencies at no cost.

This budget continues to include \$7,500 to support the Tri-County Metro Drug Task Force. I have spoken with the Michigan State Police in regard to the potential loss of federal funding for this program. Assurance has been provided that the program will continue even if the cuts remain.

This budget includes \$25,000 to replace the investigators vehicle. The vehicle to be replaced is a 2002 Chevy Malibu which has increasing maintenance problems. Currently the intake manifold is leaking and coolant is expelling from the engine. One vehicle will be sold this upcoming year. This leaves the police fleet with one detective car and four vehicles for traffic enforcement. One vehicle is available for primary use as an SRO vehicle and has 78,000 miles on it.

Chief Stressman introduced the concept of funding a part-time parking enforcement officer at 35 hours a week (\$21,000 annually). This would be a uniformed, non-certified officer whose primary responsibility would be to provide much stronger parking enforcement in the downtown area. I eliminated this concept as it was discussed at a couple of public meetings including the DDA, and I did not hear a discussion that swayed me that this is necessary or desired at this time by any parties. The parking situation does not appear to be reaching any critical mass to warrant the need for a parking enforcement officer position. Downtown employers will continue to be encouraged to have their employee's park a little farther out and walk to work versus parking in street or in the immediate downtown parking lots.

## **FIRE**

In 2007, we had a significant number of personnel changes. Chief David Scutt retired after serving as Chief for six years and a Mason firefighter for 28 years. Assistant Chief Kerry Minshall was appointed as in August 2007.

Dave Reid, Andure Combs and Steve Fehrenback resigned from their positions. Replacing them are trainees, Bill Trotter, Blake Kalchik, Brian Revels, Kevin Revels and Jeff Slaton. Last year's two new members, Jason Buckner and Vaughn Vandecar, as well as Bill Trotter have moved up into firefighter positions after successfully completing their initial training.

The Mason Fire Department has 33 officers, engineers, firefighters, and trainees on duty. Currently, we have one position open, and the Department continues recruiting since we are expecting some turnover and possible retirements.

This year Ingham County did not host Firefighter I & II training due to a lack of students. We have sent a couple of our recruits to Eaton County for this training. The State training and certification requires successful completion of Firefighter I & II status, which is a significant commitment on the individual's part and not everyone is willing to complete. We also had Mason Fire Officers and firefighters Dennis Howe, John Sabbadin, Matt Wood and Dan Kennedy complete Fire Officer Classes I & II this year. These individuals made and continue to make a tremendous commitment to the Mason Fire Department and the community.

The City is waiting for the ISO review for the year. We are not quite certain of the timing of the inspection and availability of the ISO inspector. The timing of the new water treatment plant going on line is important since it will include a one million gallon water storage tank. We are also currently working on placing an additional well. With the purchase of the new tanker/pumper, as well as the many improvements to the water system and water tower capacity, it should provide a significant advantage to improve our rating. We currently have an ISO rating of six and are hopeful to move to four. This improved rating should assist some citizens with their fire insurance rates.

Chief Minshall and I met with the Township Supervisors of Vevay and Aurelius Townships. They are pleased with the services we provide to them and seem very supportive of the purchase of the new tanker/pumper. We discussed the structure of the formula in which they participate in payment as well as potential changes in the future.

This year's equipment portion of the budget is \$32,230, which includes nine full sets of turn out gear and other firefighter safety equipment such as extrication and fire gloves, wildland coats, traffic vests, hoods and helmet face shields. We also have \$3,000 for replacement hoses.

Ingham County has implemented the new radio system as well as the paging system. We have additional costs for maintenance agreements for the radios of \$5,000. To date an extended warrantee has been purchased for the paging system. There are significant concerns about the quality of the new paging system, their ability to accurately tone in rural areas, as well as a concern that the pagers themselves won't hold up to normal wear and tear. Staff will be working with Ingham County and the 911 Committee to see what improvements can be made.

This past year we have gone over budget for equipment maintenance. This was due to some catch up of deferred maintenance on a couple of vehicles, as well as issues such as the tank in Pumper 809 rusting with numerous small holes found. This is a recognized area in which the unknown appears and we determine what has to be repaired on short notice \$21,000.

Chief Minshall has negotiated with the Ingham County Emergency Services eliminating the \$750 annual contribution fee in exchange for us housing the equipment in Station 2.

Training is an emphasis with Chief Minshall \$7,250, which includes bringing in instructors for specialty areas, the training of the officers as well as the Fire Inspectors State test for Chief Minshall and two other members of the department. The department also places an emphasis on vehicle extrication and will have the opportunity to train with a live fire at the house purchased by the city on North Mason Street. Other equipment being purchased includes a digital camera \$300 and multi-unit battery chargers that will help extend the lifespan of our radio batteries \$1,000.

## **PARKS**

The city parks have been established as a priority in the past two budgets as well as the 2008/2009 budget and will continue to be in the future. We began concentrating back on the parks after the city had dealt with a number of other priorities. This past year we invested heavily into Hayes Park \$109,000 by building a large playground in the southern portion of the park along U.S.127. Council honored the Palmer family by naming the playground after their family who had owned the property many years earlier. A large turnout of the Palmer family made it to the dedication. The year earlier we worked on Laylin Park by adding new playground equipment, benches, tables and sidewalk \$65,000. Staff made improvements inside the bathroom, dressing them up with knotty pine and replacing the steel doors this past year. An Eagle Scout project at Laylin Park was completed. The southern most bridge to walk over Rayner Creek was completely rehabilitated. Staff will continue to work with the Boy Scout program as the public have been the recipients of many good deeds. The pathway is scheduled to have improvements made during the current budget year.

With the goal still being to make park improvements, staff has focused on two other parks this year, Griffin Park along South Jefferson Street and Austin Park along Sycamore Creek. Both have a different utility and identity, as do all of our parks.

Griffin Park is currently not much more than an awkward green space with a bench and parking primarily used by the funeral home. The concept being pursued provides a refreshing view and utility which will provide a new beauty while using the surrounding area as highlights.

It will include a 20' diameter demagocagon gazebo with #1 grade cedar flooring. It will have rails and posts all around with a cupola and a cedar shake roof. A handicap

accessible sidewalk will lead to the gazebo and the structure will be wheelchair accessible.

Behind the gazebo will be nine Colorado Blue Spruce in clusters of three and spaced 20 feet apart. There will be clusters on each side of the gazebo and one centered in the back which faces the west and will provide a wind block as well as a decorative element. These trees will initially be 6-7 feet tall and should grow to 40-60 feet. A four foot wide flower/landscaping bed will go all the way around the gazebo with an assortment of flowers, perennials, and annuals.

Within the park there will be some additional plantings adding additional landscaping such as Dwarf Mugo Pines, Dwarf Oak Leaf Hydrangea, Little Gem Norway Spruce and Gold Flame Spirea. The Gold Flame Spirea is red during the spring, turns a soft yellow/green in the summer, then orange in the fall.

This project will allow people to use this park as a serene setting to celebrate or contemplate. The parking lot will be left natural to assist with drainage. The Total estimated cost for the improvements to Griffin Park is \$35,000.

Austin Park is small and has the Hayhoe Riverwalk run through it along with Sycamore Creek. It is sandwiched between streets and has limited open space available. However, it is well utilized and is the closest park to the downtown.

This park is used by all age groups and experiences significant activity 360 degrees around and through it. The most active users utilize Austin Park as a trailhead to the Hayhoe Riverwalk. To improve the utilization of this park, a piece of equipment called Health Quest equipment would be used to allow people of teenage up to adult ages, a tool to warm up and work out. There would be thirteen components of this equipment, the first on the south-central section of the park and the rest along the Hayhoe Riverwalk. Also, to allow a diversity of activity, on the north-central end of the park a small tot lot park will be established \$35,000. This park already has a picnic table and grill on the north end.

Other maintenance items of interest in this budget are, Bond Park, the sealing of the cracks at skate park \$5,000, replacement drinking fountain \$1,400. At Hayes Park we will replace three light poles \$21,425 completing the upgrade of light poles for the softball field. Equipment purchases are \$1,105, which includes \$500 for two push mowers. D & G Equipment is currently providing a lease program with a cost \$1,600 a year for riding mowers. The riding mowers being replaced averaged \$2,500 in repairs this past year. Under the lease program the city will receive a new mower each spring and turn it in at the end of the fall after the initial purchase. The two riding mowers will cost \$12,500.

There was interest in placing a security camera system into Bond Park to allow the city to document and observe activities within the skate park. This concept has also been addressed recently in the Five-Year Recreation Plan. The initial concept includes two

wireless weather sealed cameras. After meeting with a consultant regarding the hardware necessary to receive and store recordings, 100 GB of space is required for a 14 day video cycle. Once we identified what was not in the initial concept, the estimate was established at approximately \$20,000. I am not recommending that we pursue this project at this time.

The Rayner Bond Fund typically assists with payment for some of these improvements. Mrs. Bond passed away in 1961. She left part of a trust to the city in 1963. The assets we gained were from her savings, checking, CD's, Stocks and Bonds, oil and gas leases. The total value of the estate at that time was \$154,912.46. Since then the city has received interest from the funds and mineral royalties.

The city has contracted with Northwood Energy Corporation who has recently sold their interests. City Attorney Dennis McGinty and I are working on negotiations for the possibility of two new contracts for the city's oil and gas interests. I would recommend that we pursue new contracts and allow the assets of these funds to build rather than draw on them at this time.

The Hayhoe Riverwalk Phase II is scheduled to be constructed this year. Staff is currently reviewing the project bid. This project is scheduled to be constructed in the coming fiscal year. Two major components of the project are the riverwalk and the mitigation component required by DEQ. The bid will allow Mr. George Hayhoe, our benefactor, to know how much funding he is to provide to further cover the project. This current year Mr. Hayhoe generously donated \$100,000 towards this project. With the completion of Phase II, the Hayhoe Riverwalk will run from Kipp Road north through Maple Grove Cemetery to Howell Road. This project may eventually be linked to a regional trail system running from Lansing south to Mason and beyond. I am currently speaking with the Vevay Township Supervisor about future linkage with a component they would like to build.

## **STREETS**

This past year our street program was very successful, implementing a Federal Highway grant which included \$509,000 towards our annual appropriations. The East Columbia sanitary interceptor project was constructed as planned and will relieve the east side of the city during wet events. In turn, relieving residential basements of sanitary effluent and reducing city liability.

The City of Mason continues to have the best local streets within the region because we continue to place an emphasis on street improvements. In 1996, a Charter Amendment was voted on and accepted, establishing a minimum of a five mill appropriation of funds for street capital maintenance and improvements. In 2003, a Charter Amendment was accepted which clarified that the funds appropriated were based on taxable value and not assessed value. In 2005, a Charter Amendment was accepted which reduces the required

five mills to four mills. It also allows for exceptions upon need, be made for less millage two of every five years if requested, and approved by City Council.

Street projects approved for fiscal year 2008/2009 are:  
Mechanic Street between West Columbia and North Streets  
Holt Street between East Oak and East Elm Streets  
Wildemere Street spot curb repair  
North Mason Street Unpaved section 3600 ft.  
Cedar Street (Streetscape)  
Street traffic light fixtures for Ash & Jefferson Streets  
Alley #4 South of East Oak from Rogers to Holt Streets  
Alley #5 South of East Oak from Holt to Steele Streets  
Alley #6 South of East Oak form Barnes to Rogers Streets  
Crosswalks

Our local streets program as scheduled will cost \$269,162. An additional \$76,200 is allocated for 1,270 linear feet of crosswalk.

Staff is also working in conjunction with the State of Michigan making repairs to M-36 which runs through the entire city from US 127 on Cedar Street to Ash Street, then east bound past the city limits to Dexter Trail. We have been working on city components of underground infrastructure in preparation for making repairs or replacements where needed. From this project, three city projects have been identified. These three projects include a city gateway enhancement grant (trees and lamp posts) on the northern component, manhole, sanitary line and water line repairs on Cedar Street between Ash Street and North Street and water lines on Ash Street from Steel Street and Temple Street. We also are expecting to pay for traffic signal improvements at Ash and Jefferson Streets \$83,895. These programs are anticipated to exceed the 4 mill total of \$923,580 by \$18,605.

This year we have several purchases from the Motor Vehicle Pool account. This includes replacement of two pick-up trucks (one half ton and one three quarter ton) for the public works department \$51,000, and one police investigator sedan \$25,000.

Other equipment for funding includes the two mowers I referenced in the Parks section \$12,500, as well as a new piece of equipment intended to be multipurpose. To increase productivity particularly with snow removal the budget includes a four wheeled vehicle with the capacity to plow, snow blow and salt \$11,000. This will allow the sidewalks, bridges and tight areas to be cleared quicker. For year round utilization a water tank can be mounted and utilized by the fire department for brush fires.

The DPW has a vehicle wash rack that has direct runoff into the creek. With the understanding that the city desires to capture and treat material from our vehicles, we need to remove an existing structure, replace it with a new culvert, relocate the wash station to the south side of the creek and then install a catch basin and storm sewer. This is to be completed in three phases, the first in this year's budget \$22,000, with the total

project cost estimated at \$80,000. The original amount is based on estimates quoted. I am now expecting the first phase to go over budget at \$36,000. The upcoming component to complete this coming budget year is the relocation of the wash station to the south side of the creek \$15,000. This will assist us in demonstrating progress related to our Phase II discharge permit requirements.

## **WATER AND SEWER FUND**

The city identified a location for Well No. 8 on the property selected for the water treatment plant located off of Temple Street, north of Kipp Road. We drilled a test well and initial reports are demonstrating positive water quality and quantity for a municipal well. The estimates are 350-400 gallons per minute of production.

The city has been addressing the federal limits on maximum contamination of radium 226 and 228 isotopes. On December 8, 2003, a revised radium standard became effective that now requires monitoring at the point of entry into the distribution system. Prior to this, testing occurred after we mixed the water from the different wells. The maximum contaminant level standard for combined radium is 5 pico-curies per liter based on the running annual average of quarterly results as determined at the point of entry for each well. Two wells, (Hayes Park & Cedar Street) violated the standards by a minimal amount.

The city had a study conducted identifying the appropriate method of water treatment to provide water to the citizens of Mason. The process and study was prepared and forwarded to MDEQ to meet the State of Michigan's requirements to be eligible to secure funding through the "Drinking Water Revolving Fund." We were successful in obtaining an eight million dollar low interest loan from the State of Michigan DEQ to finance the new water treatment plant.

With the design work of the water treatment plant and raw water lines completed and accepted by MDEQ, the city proceeded forward with bidding and letting of the bid for the treatment plant to La Salle and the raw water line component linking the water wells to the treatment plant was awarded to Scarlett. This entire project has been estimated at approximately \$8.9 million. The city has hired a professional financial planner to conduct a rate study which factors operational and maintenance costs, outstanding debt service, replacement reserve, and future capital improvement through cash funding and debt funding.

The water towers can build up some mold and mildew where condensation builds. We have had the south tower cleaned twice through the years but it is now in need of a new paint job. Typically a paint job is expected to last ten years and the paint on the south tower has been up for twelve and is in need of replacement, \$150,000.

This budget does include funding a trailer to respond fully equipped to watermain breaks. This equipment will allow staff to show up with necessary tools for the break and reduce trips back to the public works department for materials and tools, \$6,800.

### **LOCAL DEVELOPMENT FINANCE AUTHORITY**

Currently, the funding of a water well is from the LDFA as referenced in the LDFA Plan. The Plan calls for the funding of water wells; therefore it is an eligible expense. With the current status of the recent drilling of Well No. 8 test well on city property, we will continue to recommend carrying funding to construct the production well in this fund, \$250,000.

### **DOWNTOWN DEVELOPMENT AUTHORITY**

In 2000 the DDA conducted a needs assessment. We hired the FOCUS GROUP, a professional group which assisted in gathering information from the community and providing the assessment with priorities. This is what assisted us in updating the DDA Plan. The DDA has applied to the Michigan State Housing Development Authority and has preliminarily been accepted for a matching grant up to \$20,000. The budget includes \$20,000 for this project.

The budget also includes funding for improvements assisting with community promotion including phase 2 of an audio system \$12,000, flower planters \$9,900, LED lights for the Christmas lights within the streetscape \$4,600, public art mural \$4,400, and a continuation of the successful façade grant program, \$20,000.

### **FIDUCIARY FUNDS**

The Rayner Bond Fund was established by the City after Mrs. Iva Bond willed the City money, stocks, bonds and land located near Midland, with its mineral rights. The City sold off most of the land many years ago, but has retained gas and oil leases that reap mineral royalties. This past year's royalties were approximately \$56,530. Estimated revenues for this year are \$59,000. There is activity regarding potential new leases of the city's oil and mineral rights which may lead to additional revenue sources.

It is the intent not to utilize these funds for current recreational needs as allowed, but fund this years recreational equipment items from the general fund, allowing the assets in this fund to build. These funds are also used to fund a senior's refuse exemption program \$7,340.

The Cemetery Trust Fund was established for perpetual care which is required by law. We receive \$710 for perpetual care per lot sold. The funds are placed in the trust fund to care for the cemetery when it is filled and there are no additional lots to be sold. The

cemetery has a life expectancy of 68 years. City Council recently approved a Request For Proposal (RFP) allowing a study to be conducted on the growth of the cemetery including adjacent city owned property.

The roads in the cemetery are now in the five year street plan rotation. The Cemetery Board is addressing naming the streets and will make recommendations to the City Council. They would like to stick to historical names from within the community. We cannot use Act 51 funds on these roads because they are not open twenty-four hours a day, nor are they built to city standards.

## **TAX LEVY**

The City's property tax levy for the current fiscal year of 2008-2009 is 13.25 mills. We have \$415,470 appropriated for street construction for 2008-2009. The remaining millage is for city operations for the city General Fund and for funds to be set aside for the combined municipal facilities complex (\$2,643,900).

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 on 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".

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 taxable value. The growth on taxable value of individual parcels was limited to the lesser of inflation or 5%. As time has passed and due to the market value growth of real property in Michigan, the difference is becoming substantial. However, we are starting to see this recede this year due to the state and national economy and the slow movement of housing sales and construction.

When properties are sold, they become "uncapped" and their new market values are reset from their TV to the SEV. Unfortunately, these "uncapped" properties are not exempt property for the purpose of the "Headlee rollback." The end 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. State law authorizes Mason a maximum capacity of 20 mills. Today, our maximum capacity to levy local property tax due to Headlee Rollback is 18.4853 mills.

This finds Mason in a somewhat envious position compared to many cities. We have the lowest millage rates of cities within Ingham County (13.25), and still have the capacity to raise our millage within Headlee limits. Other millages in Ingham County for 2007 are:

East Lansing 19.28  
Lansing 15.83  
Leslie 17.10  
Williamston 15.13

Total SEV (including IFT's) for the City is \$310,446,272. Taxable value is \$269,743,745. Our millage estimate for the value of one mill for the City of Mason this year is \$230,895.

## **SUMMARY**

Financially, we have postured ourselves in a healthy light. This is allowing us to proceed forward with the Police Station/City Hall facilities without raising taxes.

State and federal governmental economics continue to have negative influences which require us to spend some of our resources. The growth we experienced from 2000 through 2005 in residential housing has slowed considerably, however, we have been blessed with both commercial and industrial investment which is creating jobs and enhancing our tax base.

This year's budget shows a focus on regulatory requirements such as building the water treatment plant and water well, reinvesting into our parks, planting more trees, providing more maintenance to the trees, continuing with a strong street program and providing the many services that the citizens of Mason require and expect. We are also working closely with the State of Michigan regarding the reconstruction of the entire portion of the state trunkline M-36 through the city. This project has several city projects within it, such as an enhancement component, and water and sanitary improvements.

It is not necessary to draw from reserve fund balances. I thank the City Council and the entire staff for continuing to provide vital services and quality projects to enhance our community, truly making Mason a great place to live. In regard to this budget, I thank the Division and Department Heads as well as Finance Director Kathy Revels and Assistant Finance Director Eric Smith.

I hereby submit to you a balanced budget for the Fiscal Year 2008-2009.

Respectfully,

Martin A. Colburn  
City Administrator