

**CITY OF MUSKEGON
CITY COMMISSION WORKSESSION
Monday, January 11, 2021
5:30 pm
City Commission Chambers
REMOTE MEETING**

MINUTES

2021-01

Present: Vice Mayor Hood (Muskegon, MI), Commissioners Rinsema-Sybenga (Muskegon, MI), Emory (Muskegon, MI), Johnson (Muskegon, MI), Ramsey (arrived at 6:00 p.m. – Muskegon, MI), and German (Muskegon, MI).

Absent: Mayor Gawron

2020 CAFR Presentation – Eric VanDop from Brickley DeLong

The City's June 30, 2020 Comprehensive Annual Financial Report (CAFR) will be distributed to the City Commissioners via email and hard copy. The CAFR will also be available on the City's website. The CAFR includes the annual independent auditor's report as required by state law. At this time the CAFR is being formally transmitted to the City Commission. The CAFR has been prepared in accordance with all current Governmental Accounting Standards Board (GASB) pronouncements and also includes the single audit of federal grants received by the City.

Eric VanDop from Brickley DeLong presented highlights from the 2020 audit to the City Commission. Discussion took place and Commissioner comments were received.

This item will appear on the agenda for consideration at the regular meeting on Tuesday, January 12, 2021.

FY2020-21 Sewer Rate Adjustment - Finance

As the FY2019-20 Comprehensive Annual Financial Report was finalized it became evident that the Sewer Fund was in a \$3.5 Million deficit. This

deficit will require an immediate rate increase of 20% effective January 1, 2021.

In FY 2018-19 the Sewer fund had a \$979,425 operating loss and in FY2019-20 had an operating loss of \$1,435,021. These losses were directly related to the high water level and infiltration into our system and have created a deficit of \$3,595,965 in the Sewer Fund.

During the calendar year 2019 the City billed about 1.7 million units of sewage usage which equals 1,271,600,000 gallons, in the same period the county treated and billed us for 2,090,510,000 gallons. This means we are paying to treat 1.64 gallons for every gallon we bill. From FY2018-19 to FY2019-20 our costs to the County for treatment increased 19.5% however during the same period of time our revenues increased only 2.2%

The sewer rate has increased by 5% in each of the last two fiscal years and as you recall staff had proposed an 8% increase for the current fiscal year however the Commission only approved a 5% increase. At this time staff is proposing a **20% increase**. For the current fiscal year this increase is expected to generate an additional \$900,000 in revenue. For the current year we are hopeful that the increase will create an operational surplus and lower the deficit in the Sewer, however there will still be a deficit in the sewer fund for the current fiscal year. We are hopeful the deficit will go away in FY21-22.

I have attached an updated budget reforecast that only includes the operational budget for the current fiscal year for the Sewer Fund. Unfortunately, our usage is down which is why the revenue reforecast increase is less than \$900,000. The 2nd Quarter Budget Reforecast will be presented to the Commission at the first meeting in February.

Discussion took place regarding the increase in sewer usage and the sewer rate resolution will be on the agenda for consideration on Tuesday, January 12, 2021.

Special Event Fees for 2021 – City Clerk

Staff is requesting those events held in 2019 ONLY be allowed a 50 % discount up to the amount of their 2019 invoice for DPW Services, to waive their application fee this year, and allow the City Manager and Public Safety Director to evaluate policing services actually provided after each

event and determine if a discount may be given. This waiver/reduction of fees does not apply to new events or events that did not take place in 2019 or events that are not paid up-to-date with previous events.

The City recognizes that our established events in Muskegon have been seriously impacted this past year and some may not be back. Several staff members met with many leaders of such events to listen to their needs. Staff then met to develop ideas how we may assist understanding staff is also running with less resources. Staff's recommendation is to allow a 50% discount for DPW services (ex. If the invoice for 2019 services was \$4,000, the discount can be as much as \$2,000. If their 2021 invoice is \$5,000, they receive a \$2,000 discount). Police Department services are different because they are actual costs that the City does incur. The Public Safety Director has indicated he is willing to evaluate the services needed, if the even had a well thought out plan for safety that was implemented and followed the guidelines set by the police department. Larger events are required to have a meeting with staff to cover such details. These changes are only suggested for 2021.

Discussion took place regarding this item and it will appear on the agenda for the regular meeting scheduled for January 12, 2021.

Public Comments – Public Comments were received.

The Worksession Meeting adjourned at 7:40 p.m.

Respectfully Submitted,

Ann Marie Meisch, MMC – City Clerk