

Special Meeting of the Common Council, City of Iron Mountain, County of Dickinson, Michigan to be held on Tuesday, May 5, 2009 at 6:00 p.m. in the Council Room.

Presiding: Mayor VanLaanen

Present: Council Members Burke, Farragh, Alessandrini, Corombos, Peterson and Rosen.

Also Present: CFO Bartolameolli and City Manager Stanchina

Agenda

It was moved by Alessandrini and supported by Peterson to approve the agenda as submitted.

Old Business

TIFA Budget

- City Manager Stanchina stated that TIFA board had decided to not capture funds in the coming budget year. He relayed the information presented in the May 4th TIFA meeting to the city council.

- CFO Bartolameolli presented next year's budget information.

- Member Rosen stated that Larry Swartout believed it would be preferable to not capture the 2009-10 taxes from the TIF district. City Manager Stanchina echo this sentiment, especially when accounting and collection was considered. Rosen felt that not following Swartout's advice would create an audit environment. Stanchina, Member Corombos and CFO Bartolameolli supported Rosen's opinion. Stanchina is going to ask Jeff Arinoff's opinion on this matter.

- Member Corombos noted that the proposed parking lot budget was \$700,000; \$250,000 was held from last year and \$450,000 is allocated for this year. City Manager Stanchina stated that the \$700,000 figure was just an estimate and a more solid number is being calculated. Member Rosen voiced an opinion that he felt the cost of this parking lot restoration was too high. Corombos questioned why the need to put so much work into the parking lot located behind City Hall, his sentiment was that many roads in town are in worse shape. Stanchina explained that the repaving would be required due to several redesign elements within the parking lot plan. Member Peterson voiced her confidence that TIFA would choose an option that costs less than \$700,000, Alessandrini added his support. Stanchina added that TIFA already has \$500,000 left from last year's budget. Rosen pointed out that the city hall parking lot needs storm sewer repair and given the current projections, the city will most likely ask TIFA to not capture taxes again next year.

- Member Rosen asked City Manager Stanchina if there was a five year holding requirement on the Khoury property. He was interested in the financial ramifications of the city receiving the property after TIFA ends. CFO Bartolameolli and Stanchina felt this issue should be looked into with more depth. Member Corombos ardently conveyed his disbelief that the other units of government would allow this action to happen. Mayor Vanlaanen stated that he this type of activity would be okay as long as the land was bought for economic development. The general consensus is that this issue needs to be looked at in more detail.

OLD Business (Cont...)

- Member Peterson asked if the Khoury property is really worth \$875,000. CFO Bartolameolli stated that during last years audit the city assessor valued the property at that price. City Manager Stanchina pointed out that land values change if the land is held for resale or municipal use. Member Corombos noted that the land is officially on the books for what it cost. Stanchina pointed out that land value can be changed given a know impairment. He also stated that the Khoury property is free of impairment and the adjoining railroad property is in phase II.

- Member Alessandrini asked what the rail road property was assessed at. City Manager Stanchina said that the initial offer was \$720,000 and the railroad came down to \$640,000. He stated that the reason for the drop in price was due to the removal of a 30ft. by quarter mile right of way being removed from the property. Member Peterson inquires as to who is doing the negotiating, Stanchina is the negotiator. Stanchina stated that the comparable values were calculated based on what TIFA paid for the Koury property and what an addition piece or railroad property was purchased for.

- Member Alessandrini questioned whether or not the rail road bridge is included in the purchase price. He also questioned if a road could even be built under the bridge. City Manager Stanchina pointed out that the property acquisition would not include the land under or directly in front of the bridge, so road development in that location would require further acquisition. Mayor Van Laanen conveyed there would not be a problem with road access. He assured Mr. Alessandrini this issue has not been missed by the TIFA board. Member Farragh conveyed his doubt that the rail road would allow a road under their bridge. VanLaanen stated that the bridge was added after the road, so the road rights should prevail. Farragh noted that the rail road maintains an easement over the property.

It was moved by Alessandrini and supported by Rosen that the City approve TIFA's budget.

- Member Corombos stated his concern on leaving TIFA with the ability to spend \$700,000 on the parking lot project. City Manager Stanchina pointed out that TIFA pays the city's General Fund an administration fee, so getting rid of TIFA would create another shortfall in the city budget. Members Rosen, Alessandrini and Peterson voiced their confidence in TIFA's ability to manager their funds. Corombos voice concern for the amount of cutting TIFA is willing to do on the parking lot project. Stanchina pointed out that \$80,000 is planned for parking lot electrical; this cost is mostly generated from putting in decorative light poles. Corombos doubted the need for items such as decorative light poles. Rosen asked Member Farragh, given his expertise, what he would estimate the cost of this project, including infrastructure to be. Farragh stated that he did not see the need for \$750,000 to do these parking lots. His estimate was \$350,000 - \$400,000 to do the paving and infrastructure. He conveyed that it is his opinion that TIFA will do the right cuts; he also stated that you don't know anything until the engineering is done. Alessandrini asked why this parking lot issue was being discussed and if the council is looking at cutting this out of TIFA's budget. Corombos stated his fear of loosing control of the TIFA project. Alessandrini voiced his concerns about keeping TIFA active if their budget is not approved that evening. Peterson felt that Corombos had a valid concern.

- Member Corombos asked whether or not it would be beneficial for TIFA to pay its bonds off. CFO Bartolameolli pointed out that TIFA would loose more money from the school tax capture then it would save in bond interest. City Manager Stanchina and Bartolameolli both supported the idea of not paying off the bonds. Mayor VanLaanen pointed out that there was still a motion on the floor. He also pointed out that there will only be around \$2,000 left after this coming budget year, so a project overrun can't exist.

OLD Business (Cont...)

- Mayor VanLaanen conveyed that he was inclined to vote no, since TIFA is not spending enough. He pointed out that by not capturing any revenue; TIFA is opting out of an additional \$600,000. His sentiment was that the community is loosing out on this money. Member Rosen noted that the city is projected to run a deficit of 1.1 million this coming budget year if TIFA captures tax revenue. City Manager Stanchina stated there would be 1.5 million in fund balance with the non capture next year. CFO Bartolameolli added; with out the non capture of TIFA funds the General Fund balance would drop to \$500,000. Bartolameolli noted that if TIFA captured tax revenue in the 2010-2011 tax years, the general fund would be at \$0 and there would be a shortfall of \$500,000. Member Rosen asked VanLaanen what his solution would be to the budget crisis if the non capture does not happen. VanLaanen conveyed that the way to correct this budget problem is an increase in the tax base. He advocated for a no tax capture to the point where TIFA could still collect the extra \$600,000 and the city would still capture some of the taxes. Corombos conveyed his lack of support for TIFA's existence; additionally, he stated that the city has taken in over 20 million with TIFA already. Rosen voiced his concern for the maintenance of essential city services. Member Peterson ardently conveyed she felt developers need to shoulder the majority of the cost for their development. Member Alessandrini voiced his concern for the loss of business throughout this community over the last four years. VanLaanen felt that Mr. Mariucci's business was lost. Alessandrini, Rosen, and Peterson voiced their differing opinions. Alessandrini felt the city's bureaucratic process is hampering business, Rosen also voiced his support. Rosen ardently disagreed with VanLaanen on his economic development strategies. Corombos felt that a partial non capture should have been done by TIFA several years ago. Peterson voiced that essential services need to be provided to the tax payers and it can't be done unless economic development plans are solidly formed, with the developer paying the majority of the costs.

- Jinx Brew – 904 E. C St. – conveyed that TIFA money needs to be used for its' intended purpose. She did not understand why the council is arguing about doing infrastructure improvements. Member Rosen asked Brew how doing the parking lots constitutes economic development. She conveyed that they add value to the customers who use many of the local businesses. Rosen asked Brew where the job creation in a parking lot project. Brew repeated her belief that the parking lot project would add customer service. Member Corombos and Rosen voiced his support for some level of repair in this area, just less than TIFA projected spending. Member Alessandrini voiced his support, and agreed with Brew, that several parts of the parking lot project were needed. However, His underlying concern was still the cost of the project. Alessandrini convey a positive message about the parking lot project overall.

Roll call vote taken:

Rosen	Aye
Burke	Nay
Corombos	Excused himself (7:14 PM)
VanLaanen	Nay
Alessandrini	Aye
Farragh	Aye
Peterson	Aye

Motion Passed

City Budget

- CFO Bartolameolli covered the changes to the city budget since it was handed out to the city council. The changes she covered the elimination of the Director of Planning and Development and Director of Public Works positions, saving the city's general fund 20,000 and the city a total of \$93,186 this coming year.

OLD Business (Cont...)

- Member Peterson stated that she is resigning as a council person. Upon stating her resignation she left the meeting at 7:16 PM.
- The city council took a 5 minute recess at 7:16 PM
- Member Corombos returned at 7:20 PM
- The city council resumed at 7:21 PM
- CFO Bartolameolli reported with the TIFA non capture and salary reductions the city budget will now gain 1 million dollars. She reported that TIFA's tax revenue will drop from \$2,017,000 to \$0 and interest and rents will drop by \$7,000. She also noted that the police and fire expansion was replaced with land acquisition for the same amount. Budgeted amounts for side walks/infrastructure and miscellaneous were cut in half and now total \$100,000.
- Member Rosen noted that the DDA's proposed other revenues dropped by \$22,000. CFO Bartolameolli stated that the DDA was just doing a best estimate on what level of funds they could raise this coming year, they took a conservative approach.
- CFO Bartolameolli reported that the Health Insurance fund's expenditures have been increased by \$15,000 to budget for the actuary report.
- Member Rosen asked why the anticipated state grants have not been adjusted down. Stanchina reported that changes are most likely coming from the state, but the state has not made any reductions official at this point.
- Member Alessandrini asked for clarification on the ramifications of eliminating the Director of Planning and Development and the Director of Public Works. He had spoken to the city attorney and formed the conclusion that Becotte's contract was expired, so there was no severance due; Woolard would require 30 days as long as he is laid off within the next three months. Mayor VanLaanen felt that it would be best to not speak of any details until the city attorney came to a final decision, Member Farragh agreed. Alessandrini asked that a date is set for City Manager Stanchina to have this issue resolved.
- CFO Bartolameolli reported on loans she would recommend paying off. She recommended paying off the highest interest loan, the city's 2002 fire truck. She reported that the loan balance on the fire truck is \$204,000, currently to be paid off in 2013. Bartolameolli stated that \$47,000 would be paid in interest if the loan is paid as planned. She calculated that \$17,000 would be saved if it was paid off early, conveying that less than the value of the interest paid would be saved due to lost interest income on the funds used to pay the loan off early. Member Corombos, Rosen and Bartolameolli held a discussion on whether or not to pay off the loan or retain a higher fund balance. Mayor VanLaanen asked those in the group with financial experience if it would be better to hold on to retain a larger rainy day fund. Corombos conveyed that the TIFA pass through funds, nearly 2 million dollars, will need to be invested either way, so the incoming funds will not be available as a rainy day fund either way. Bartolameolli stated that money is being held aside to fund upcoming purchases, so additional borrowing at a higher rate is not anticipated. She calculated that the General Fund will drop by \$172,000; payments are already schedule for this year allowing for less than \$204,000 to be taken out of the General fund. Member Farragh noted that fire truck #2, the oldest of the pair, is 18 years old. Paying off the newer truck, the 2002 model, would allow for a balance to build up in the Motor Vehicle Fund and allow for future equipment acquisition. Corombos and City Manager Stanchina told the city council that the budget can not be altered within seven

OLD Business (Cont...)

days of public notification. Rosen voiced his support for both VanLaanen's plan of keeping a larger rainy day fund and Corombos's plan of paying off debt so there is more money available to invest when interest rates return. Corombos reiterated that cities have many ways to get funds in the case of an emergency. Rosen and Farragh voiced their support for paying off the fire truck in the amount of \$172,000.

- City Manager Stanchina verified that the city council was in support of the five year paving program. CFO Bartolameolli noted there will be \$250,000 spent on both local and major streets. Stanchina stated that the paving program is starting with this year's budget. He also added that TIFA is spending an additional \$400,000 in paving this year.

- CFO Bartolameolli stated there will be \$1,362,000 in the General Fund if the projected budget is followed. City Manager Stanchina conveyed that this balance is what is left for all funds, or the governmental funds balance, since each funds balance is kept in the General Fund. Member Rosen asked about the ramifications of the possible upcoming state revenue sharing reduction. Bartolameolli stated that the revenue sharing would create a loss of about \$35,000, which is a 1/3 reduction of the last two payments the city would receive from revenue sharing. Stanchina noted that a part time position was not filled in City Hall, reducing anticipated expenses. Bartolameolli noted that since Stanchina had done both the City Clerk/Treasure and City Manager jobs for a year, the city was able to reduce some expenses there.

- The next budget hearing is set for May 26, 2009 at 6:30 PM. The meeting will take place at City Hall in the council chambers.

Public Comment

Virginia Feleppa – She asked if the city's budget will be available on line. CFO Bartolameolli and City Manager Stanchina did not see a problem with putting it on the internet, as long as the technology worked out. The General consensus was that a paper copy of the budget was kept at City Hall so the public could view it. City Manager Stanchina is looking into putting the budget on line. Feleppa felt that it was a mistake to cut the Planning Directors position. Member Alessandrini stated that the duties the planning director performed are being transferred to another individual. Feleppa voiced her concern that Iron Mountain would not be able to keep up with other communities such as Escanaba and Marquette. Member Farragh noted that building is taking place in Kingsford and Norway without a Planning Director. He voiced his opinion that the city manager should do the city planning. Member Corombos conveyed a belief that development will happen without a Planning Director. Member Rosen noted that the City Planner's performance required some action be taken either way.

It was moved by Rosen and supported by Alessandrini that the meeting be adjourned.

Motion prevailed unanimously.

Meeting Adjourned at 8:48 PM



Isaac Micheau
Clerk-Treasurer