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City Manager

State of the City, 2017-18,
A Manager's Perspective, Volume III

As I prepared this, my third annual State of the City Address, I realized that both this past year, 2017, and the upcoming, 2018, were and are the beginning of real change both for the community and City government. For some change can be frightening or at the very least something that makes you uncomfortable. For others it is seen as an opportunity and a new adventure, especially for the young. Although certainly not a spring chicken, I hope that I lean toward the latter. We are most definitely seeing change, and some of it will be difficult, but if handled right can lead to better things down the road. In this edition of my State of the City, I will focus on our accomplishments, but also changes within our community, our City government and our State government, and their impact on us.

As a general statement the City continues to maintain a strong fiscal posture as we move into 2018. Upon the completion of the 2016-17 fiscal year we did see our fund balance drop from \$3.215 million (32.7%) to \$2.762 million (27%). This was a conscious decision through the undertaking of several long delayed capital projects – streets and City buildings – that needed to be done and which could be completed utilizing a portion of our healthy fund balance while still providing an effective cushion against unforeseen events. One such event occurred shortly after the beginning of the current fiscal year with the collapse of the North Riverfront Park boardwalk. Ultimately, due to circumstances discussed later, the repair costs must be entirely borne by the City budget. This will result in an approximate \$275,000 hit to our fund balance this fiscal year. This will require increased vigilance on the part of myself and all Department heads as we complete the current fiscal year and begin budgeting for the next.

Our Community

Economic Rebound Continuing

In 2017 we saw modest, yet steady gains in property assessed values in both residential, 6%, and commercial, 4%, while industrial values remained constant. In 2018 we will see continued

increase in these values, but at a slower rate: residential, 2.61%; commercial, 1.56%, with industrial once again seeing no change. What has now become a broken record, while encouraging, we continue to find taxable values, local government's lifeblood lagging behind due to Headley and Proposal A limitations. Consequently, we find ourselves with consistently lower property tax revenues than we had before the Great Recession of 2008. This limits the services and capital projects we can do, especially as costs continue to climb.

On a positive note Alpena continues to rate highly based on statistics from the Region 3 Small Business Development Center Activity Report (eight counties in Northeast Lower and the Eastern Upper Peninsula). In 2017 we maintained or increased our ranking over 2016 in all categories except jobs created where we fell from #1 to #2. The 2017 rankings were as follows: Clients Served, #1 (up from #2); Sessions, #1 (up from #2); Contact Hours #1 (up from #4); New Business Starts, tied for #1 (up from #2); Jobs Created, #2 (down from #1); and Capital Formation, #3 (same as 2016).

Our prospects for future economic development will be further enhanced with the City's designation as a Redevelopment Ready Community by MEDC that should occur in the next few months. This two-year long process marks Alpena as a community open for business as indicated by its Comprehensive Plan, Zoning Ordinance, building codes, permitting processes, and our working relationship of our economic development partner Target Alpena, all of which provide a clear and timely path for developers looking to invest in our City. Additionally, it maintains existing and opens new opportunities for project funding from the MEDC.

City-wide Economic and Community Development Projects

Within the City we have had our ups and downs, in both our economic and community development efforts, but in general we are always moving forward. It is important to note that we are beginning to see this activity spread beyond the downtown to all areas of the City. Projects and activities include:

- Completion and opening of the new downtown Holiday Inn Express in June of 2017. Its impact on businesses and restaurants in the downtown has been both immediate and uplifting. Occupancy rates have been very good, boding well for our downtown.
- Completion of a major façade renovation at the Alpena Furniture Building on N. Second Avenue. The restoration of the large second floor windows has dramatically changed

the entire appearance of the structure. Unfortunately, the development of ten new apartments on the second floor did not materialize as the math simply did not make it financially viable. Hopefully, they can be developed in the future, as it is an ideal location for quality downtown housing.

- Relocation of Thunder Bay Winery's wine production operations from north of town to its new location in a vacant structure adjacent to Memorial Hall across Water Street from City Hall. This places both the production and retail operations in the downtown.
- Completion of the \$1 million expansion and remodeling of Thunder Bay Chrysler Jeep Dodge dealership on Chisholm Street.
- Across from the dealership, completion of six (6) new residential rental units on the second floor of the former St. Vincent de Paul building at a cost of \$522,000. The owner, Dennis Schultz, is currently in the process of relocating several of his business operations into the vacant first floor, creating additional business activity in this corridor.
- Approval by the Planning Commission and City Council in 2017 for the development of one of the largest commercial buildings in the City in many years, the 4-story 58,000 square foot Northland Community Credit Union headquarters to be located on Bagley Street between Goodwill and the Crossroads Plaza shopping center. Both the Planning and Building Departments have been working with the architect and Credit Union as construction plans are finalized. Construction is anticipated to begin in the first half of 2018. Based on the plans and renderings presented to date, the \$10 million building will be a jewel for the community and will develop the last remaining vacant parcel along this portion of Bagley Street.
- Sale of the parking lot and adjacent land totaling just over 7 acres at the northeast corner of Wilson and Johnson Streets by ACC for the development of a 40+ unit assisted living facility. The projected \$7 million development is planned to begin construction yet this year.
- The dedication of two new public sculptures located in front of the main Alpena Community College parking lot and in Duck Park near the George Washington Bridge. The two sculptures, Global Collaboration Awareness and Departure of the Great Blue Herons, are the first of several planned throughout the City along the Bi-Path, once again incorporating the original vision of the Thunder Bay Arts Council when it helped initiate the Alpena Sculptured Bi-Path Project as part of the celebration of our nation's 200th anniversary. A new committee spearheaded by Tim Kuehnlein and August "Augie"

Matuzak have formulated plans for the creation of twelve new sculptures over the next ten years, with most located along the City Bi-Path. The first two will be installed in 2018 along the Bi-Path near ACC's Van Lare Hall and at the Washington Avenue Park adjacent to the Thunder Bay River. As a longtime proponent of public art and its value to a community, I am excited to see this project move forward.

- Installation of new Bi-Path signage throughout the City with the assistance of a \$10,000 Trail Town grant from the Northeast Michigan Council of Governments (NEMCOG). The design and format of the new signs follows that used by the State on its many trails throughout Northern Lower Michigan, creating continuity and providing directions to the City's many parks, shopping and tourist destinations.
- Completion of numerous water/sewer and street projects throughout the City as part of the City's Capital Improvement Plan. These included Third Avenue, Second Avenue, Eleventh Avenue, Campbell Street and Lincoln/Potter Street, as well as an additional ten (10) blocks of street resurfacing. All told more than \$2.15 million in water, sewer and street improvements have been completed in the past year. In 2018 Miller Street from Second Avenue to Walnut Street will undergo a much needed \$616,000 restoration partially funded by a \$375,000 MDOT grant.
- Rehabilitation of the Second Avenue drawbridge at a cost of \$3.5 million was completed in early June 2017 with 95% of the funding from federal and state Departments of Transportation. It was the first major work on the bridge since the early 1980s. With its completion and updated infrastructure, the bridge will effectively and efficiently serve the community for decades to come.
- Installation of a new 12-inch water main along the railroad right-of-way from Miller Street to Elm Street/Long Lake Avenue to provide increased water pressure and redundancy for residents and businesses on the City's north side. A new parallel 24-inch sanitary sewer main was also installed from Miller Street to the north property line of Austin Brothers Beer Company replacing an undersized and deteriorated line located under a private drive. Both lines will provide service to the existing businesses in the area, and increase the potential for development of adjacent vacant parcels. A total of \$173,500 in water and sewer funds were expended on the project.
- Installation of new water and sanitary sewer services for Austin Brothers Beer Company connecting to the above mentioned new mains. The improved service lines will enable anticipated expansion to the brewery in the near future. The \$23,000 cost for the lines

was financed through a loan from the City Authority for Brownfield Redevelopment Site Remediation Fund. The loan will be repaid in May of this year.

- After years working to obtain the necessary permits from the MDEQ, the City will be constructing water and sewer mains, and a culvert and street through a wetland to the rear of our US 23 North property that has remained essentially undeveloped since its acquisition in the early 2000s. This \$415,000 project will commence this spring with completion yet this fiscal year. Once done it will finally open up the vast majority of this 75 acre parcel to development. Staff has already had some preliminary discussions with a developer contingent on the completion of these public improvements.
- Completion of the Thunder Bay Transportation Authority new transportation center located in Alpena Township at the southeast corner of US 23 and Hamilton Road just north of the City's 23 North property. It is hoped that this new facility will serve as a catalyst for future development in this area, especially in the City-owned parcel.
- Fundraising for the new splash park at Starlite Beach is entering its final stretch drive with construction of the park and associated improvements commencing this spring and a grand opening slated for early July. Total cost will be approximately \$450,000 including a \$205,000 MDNR Trust Fund Grant and over \$200,000 in fundraising by the Alpena Rotary Club.
- Completion of the conversion of Carter Street and a half block of Third Avenue from one-way to two-way traffic and installation of reverse angle parking on River Street between Second and Third Avenues was completed this past year. The two-way traffic has worked very well and the reverse angle parking has also been well accepted after an anticipated rough go as drivers got use to the new layout. The conversion of the two blocks of N. Second Avenue to two-way traffic was rejected by City Council upon reconsideration based on comments from citizens and impacted property owners. Later this spring staff will present to the DDA and Council a proposal for increased on-street parking on Second Avenue. If approved, it will be implemented later this year.
- Use of City's Authority for Brownfield Redevelopment Site Remediation Fund to conduct brownfield eligible activities at properties located at 120 W. Washington Avenue and 1222 Ford Avenue. The use of these funds will facilitate the sale and continued operation of an existing business and the future redevelopment of a vacant parcel in our downtown.

All told these projects equate to approximately \$40,000,000 in public and private expenditures in 2017 and moving forward through 2018 and beyond. A truly impressive figure both in volume and value that is often not fully realized or appreciated by those of us inside and outside government.

Longer term, both Alpena Community College (\$6.7 million renovation of Van Lare Hall) and MidMichigan Medical Center Alpena (\$59 million expansion) have announced major construction projects that will significantly impact the institutions and our community once completed and in operation.

Several of these projects were assisted with grants from the MEDC and/or MSHDA obtained by the City through the Planning and Development Department, as well as tax abatements approved by City Council. Additionally, City Brownfield incentives assisted the Holiday Inn Express project, Thunder Bay CJD expansion and the upgrading of infrastructure for the Austin Brothers Beer Co., as well as the two projects previously mentioned on W. Washington and Ford Avenues.

Each year brings new opportunities for economic and community development to our City. We do not see this changing, and the next few years should be exciting.

Challenges and Opportunities

With all the positive activity occurring within our City, we have had our share of bumps in the road that we as a community and City have been forced to address. Although they may have not developed as planned or occurred unexpectedly, each shall be overcome and the City and community will be the better for it.

- Former APC Property (Second and Water Street)

Since its demolition in July 2016, Target Alpena has diligently marketed the property for mixed-use development to a number of individuals and firms. Unfortunately, the site's redevelopment has proven to be a tougher nut to crack than originally anticipated. A number of factors have come into play including the size and geometrics of the parcel, and the interplay of various market forces. As a prime piece of real estate in our downtown, it is only a matter of time before the combined efforts of Jim Klarich, Target

Executive Director, and Adam Poll, City Planning and Development Director, bear fruit and a development rises on this site complementary to our existing downtown.

- North Riverfront Park Boardwalk Collapse

It was last July while at a meeting at the Great Lakes Maritime Center that I received a call from City Engineer Rich Sullenger that we had a problem at North Riverfront Park. Nearly all of the concrete and composite decking boardwalk along the Thunder Bay River had collapsed. My first impression upon viewing the damage was of photos I have seen of buckled pavement in the aftermath of a major earthquake. Once the damage was assessed and a restoration plan developed, the true cost came into focus, a hefty \$270,000. Since the cause was determined to be water related, our insurance would not cover any of the damage. Consequently, Council was asked and concurred that the walk had to be reconstructed and that the funding will come from the City's fund balance. Although a major unexpected hit, the impact is lessened by the Council's prudent action in maintaining a higher than normal fund balance. Construction was to begin last fall, but due to delays in the preparation of the final sheet piling design, it will not begin until spring. It is still anticipated that the work will be completed by the end of June of this year. The new design should provide superior protection against such water-related damage in the future.

- Dog Park

Alpena's first dog park was scheduled to be constructed last summer at North Riverfront Park following a successful marketing and fundraising campaign spearheaded by a group of community minded citizens. In fact the bids for fencing were to go to Council the day of the boardwalk collapse. Due to the need for construction equipment to traverse the dog park site to facilitate the removal of the damaged walkway and construction of the new one, the dog park project was forced to be put on hold until after the boardwalk reconstruction. Although an unfortunate delay, it was a blessing that the park had not been constructed prior to the boardwalk collapse as it would most definitely had been impacted by the removal and construction activities, adding to the cost. Construction should begin sometime in July.

- Fish Mural Collapse

This past October just before the beginning of a new work day, the aftermath of a major wind and rain storm the previous evening caused the anchor cables of the wind whipped and waterlogged sail canopy over the Chisholm Street Park to pull away from the brick façade that supports the recently completed fish mural. Approximately 40% of the brick façade and its attached mural came crashing to the ground. After the initial shock and wondering who was at fault, people quickly began to ask how they could help in the mural's restoration. To date the insurance companies are still determining who will pay and how much for both the restoration of the building façade and the mural itself. Art in the Loft, the mural owner, has been in contact with the artist and once the liability issues are resolved the process of restoration will begin. Once restored, the community will have an even greater sense of ownership and pride than it did at the time of its initial installation.

- Mich-e-ke-wis Park Revitalization

In 2004 the City Recreation Advisory Board, Planning Commission and Council approved a new Master Plan for Starlite Beach and Mich-e-ke-wis Park. Included in the approved plan as an alternate project was the development of an RV Park in a portion of Mich-e-ke-wis Park. Although controversial, the alternate remained as part of the adopted plan. The City initially focused its efforts on Starlite Beach. Over the years with the assistance of MDNR Trust Fund grants new restrooms and a picnic pavilion were installed as well as other amenities. Outside groups, such as the Rotary Club added new play equipment and currently a partnership between the City and Rotary will see the installation of a new splash pad and other amenities in the park this year. In 2016 as planning was beginning on the splash pad project, I indicated that once it was completed focus would need to be directed on upgrades to Mich-e-ke-wis Park. As I reviewed the master plan the issue of the RV Park alternative remained and I believed it needed to be addressed before decisions were made on what projects were to be developed at the park. Consequently, I proposed in my first State of the City Address in 2016 that staff complete a thorough analysis of it with Council consent so it could make an informed decision whether such a use was not only feasible, but appropriate for Mich-e-ke-wis Park. Council concurred and directed staff to make such an analysis. Initially, I thought it would be completed within a year, but other priorities took

precedence and it was not until January of this year that the presentation was made. Although the issue was contentious, the process that was followed was the appropriate one allowing for a full disclosure of information and public comment necessary for Council to make its decision that an RV Park was not an appropriate use. Staff had already determined prior to the decision, that no matter its outcome, it was time to revisit the entire Mich-e-ke-wis master plan. Many changes in the parks and community have occurred in the fourteen years since the plan's adoption. We are proposing to conduct a series of design charrettes, similar to those held during the development of the 2004 plan, to allow staff, Recreation Advisory Board, Planning Commission, Council and the public an opportunity to review the plan and its initial purpose to determine if all or parts are still appropriate, and possible new elements that could be added. Whether this process can be handled in-house or require the assistance of an outside facilitator will be determined in the upcoming budget process. This would allow for scheduling of the charrettes later this summer or fall, followed by preparation of any needed amendments to our current Recreation Plan. The goal is to have an updated Mich-e-ke-wis Park plan that meets the recreational desires of our residents and the community as a whole.

Together these and other projects paint a picture of economic, cultural and social strength, growth and optimism for our community. Our successes, our setbacks, and our controversies and how we handle them define who we are as a community. In my mind the picture and definition bode well for the future of Alpena, its citizens, businesses, cultural institutions and everyone who strives to make Alpena better. We will always have our ups and downs, but our overall progress has been one of forward momentum, and I see no reason for that to change.

Community Activism

Several of the projects mentioned above, as well as numerous others, would not have occurred, if not for the dedication and involvement of various civic organizations, businesses and individual citizens. This is a recurring theme throughout our City, and is one that we can be justly proud of. It is a true measure of a community's inner strength and commitment and there seems to be no shortage of that in Alpena. Examples abound:

- City employees continue to immerse themselves in the community through their volunteer efforts, contributing countless hours to over 40 community organizations.

- Individual citizens and groups continue to step up to adopt a park or a part of a park. Others have adopted City streets and remove trash once or twice a year.
- The Alpena Garden Club continues its faithful maintenance of flower and planting beds at the Water Tower Park rain garden along the Thunder Bay River and the flower beds in the rock garden and along the entry path to the Island Park Covered Bridge.
- The Alpena Kiwanis Club and the Alpena Booster Club implemented an Avenue of Flags that appeared five times this past year along the Bi-path in Washington Avenue Park honoring those area military personnel who lost their lives in the line of duty. This year the two clubs will replicate the effort in Duck Park along Chisholm Street from the George Washington Bridge to Long Rapids Road. This new project will consist of 150-200 flags honoring deceased or living individuals important to our community and their families.
- Installation of a wheelchair swing next to the pavilion at Starlite Beach by the Lions Club.
- Addition of a handicap swing by Alpena Rotary to its previously donated playground equipment at Starlite Beach, and of course their ongoing fundraising efforts toward the installation of the new splash pad. The organization is already looking at new potential projects once the splash pad is complete.
- The donation of time and materials by Doug Pratt, Pratt Landscaping, and Councilmember Cindy Johnson who have adopted Culligan Plaza. Working with the City DPW several improvements have been made. Further more extensive upgrades are being planned for the future for this highly visible and heavily used plaza.
- Donations of time, materials and money by local businesses and individuals lead by Doug Pratt of Pratt Landscaping in the redesign of the Chisholm Street pocket park inspired by the recently completed fish mural. Unfortunately, its installation has been put on hold due to the collapse of a portion of the mural. Plans are to move forward once the mural is restored.
- The previously mentioned efforts by individuals and groups in the soon to be developed dog park in North Riverfront Park and the restoration of the heavily damaged fish mural in Chisholm Street pocket park.
- The previously mentioned ongoing public sculpture project along the City's Bi-Path.
- Interest in a public outdoor skating rink remains high among a group of interested citizens lead by a number of State Avenue area residents. Although the small rink at Thomson Park last year had limited success, primarily due to the weather, they are developing a plan including funding for a rink, possibly at Mich-e-ke-wis Park. Once

completed, it will be presented to staff and if feasible and compatible with future plans for the park, could be implemented next winter.

- Another successful US 23 Heritage Route “Lake Huron Discovery Tour” this past October by Michigan Arts & Culture Northeast (MACNE) led by Tim Kuehnlein. Despite its success, the vast commitment of time, volunteers and resources for such a geographically large event, has compelled the organization to look at other avenues to spotlight the growing arts and culture scene along the Lake Huron coast. The City will continue to lend support to such events in the future as it is financially and logistically capable. No matter what the future may hold, a heartfelt thank you to everyone involved in this exciting and unique event.
- A highly successful edition of the DDA Chili/Chowder Cook-off. This past year’s event was relocated to Second Avenue downtown, bringing increases in both the number of contestants and public turnout. We look forward to the 2018 edition.
- Outside the City, the South Bay/Taking Pride in Alpena group continues to work diligently on upgrading US 23 South in the Township, our southern gateway into the City. They must be commended for the continued efforts along this important corridor.
- The many other community activities forged by individuals, groups and businesses, often in combination, that I have forgotten and consequently failed to mention. To all of you we say thank you, and ask that you continue in your endeavors to make our community an ever better place to live, work and recreate.

City Management and Operations

Staffing

Starting in 2017 and continuing into the current year the changing of the guard within the City’s administrative corps began. As of last summer ten (10) of the fifteen (15) administrative staff were eligible for retirement. That does not mean that all will be walking out the door hand-in-hand in the immediate future, but the process has begun. It is anticipated that in the next 5-7 years most, if not all, of these individuals will retire. It began last summer with the announcement of the pending retirements of Clerk Treasurer/Finance Director Karen Hebert and Deputy Clerk/Treasurer/Finance Director Julie Krajniak after nineteen and thirty-seven years of service respectively, which came to fruition this past month. This began a process of position changes in the Department from which the dust settled just this past month. Four of

the five Department positions have new faces. Most of the changes were within the Department itself, the exception being the hiring of Anna Soik as the new C/T/FD by Council in October with her first day on the job being October 31. Leilan Bruning was promoted to Deputy C/T/FD effective January 2 following months of training, with Jennifer Berant transferring to Leilan's old position and Kate Straley being hired in December to fill Jennifer's vacant spot. Once settled in I have no doubt that things will operate as smoothly as it has for so many years.

Part of the ultimate success of such a major transition is the training by staff of their in-house replacement and the deliberate timing of Anna's hiring to allow for a smoother transition by having Karen still on staff for over two months to assist Anna in learning her new position. Knowing the benefits of such a mentoring process, the City budgeted for the additional expenses for the period of dual employment. We fully realized that the benefits of such a transition process far outweighed the additional costs and by planning ahead the fiscal impact was both known and accounted for.

A similar process will begin shortly with the announcement of the retirement of City Assessor Jeff Shea after eighteen years of service, effective June 1 of this year. The position has been posted with the intent to have a person on board by early May to ensure a smooth transition prior to Jeff's departure. This will also be a Council appointee following the same procedure as the Clerk/Treasurer/Finance Director position.

Additional retirements of another admin staff member and at least one union employee are anticipated before the end of the year. Prior to the posting of these positions a thorough review of the applicable job descriptions will be conducted to determine if modifications of duties, responsibilities, qualifications and pay (if an admin position) are warranted to ensure the most efficient operation of the affected Department. After many years of stable staffing, transition to a new administrative staff can be challenging, but once completed, the infusion of fresh ideas and personnel can be invigorating to the operation of the City. The changeover in the Clerk/Treasurer's Office is likely to be the most dramatic of any that may occur within a single department (80% of the positions have new personnel). Although there will be issues that arise that will be new to people, the collective knowledge and experience within the department and City Hall is more than enough to overcome the challenge.

Changeover in other Departments, with a far less likelihood of a domino effect of personnel changes, should go smoothly so long as an effective transition plan is implemented.

Departmentally, Council recently approved the hiring of an additional firefighter/paramedic to relieve overtime pressures within the Fire/EMS Department. The City has long recognized that the use of overtime to meet the needs of the Department and the community is growing to the ultimate detriment of the Department personnel and ultimately its efficiency and effectiveness operationally. As our community ages the demands on our health care system, including the City EMS also grows. Balancing the need to provide high quality service to not only the City, but the entire County, requires ever more agility as costs continue to increase along with state regulation. Containing costs is always a high priority; however, there are times when adding an employee can actually contain or at least reduce the rate of increase in costs. It was just such a combination of factors that led to this hiring.

The City Police Department has operated below its effective personnel level for several years. Each year we have looked at the staffing situation, but found ourselves faced with budgetary constraints. Grant programs that could lessen the financial impact to the City are scarce and those available have proved to be extremely cumbersome to both apply for and administer, if awarded. As a possible win-win scenario the City and Alpena Community College (ACC) are exploring the possibility of providing a professional police presence on campus approximately 20+ hours per week during the school year loosely based on the City's current School Liaison Officer Program at Alpena High School. Both parties would share in the cost of an additional officer, meeting the specific needs of the college while providing additional resources to the City's Police Department at half the cost. Both parties are confident that the details for such an arrangement can be worked out with approval by each governing body and inclusion in the 2018-19 budgets of both the College and City beginning July 1 of this year.

Finally, on a personal note, after 19 years of combined service on the Thunder Bay Transportation Corporation/Authority Boards, the last twelve as Board President, I resigned my position on the TBTA Board effective July 1, 2017 to more fully concentrate on my duties as City Manager and to eliminate any conflict due to my son's hiring (of which I am very proud and had absolutely no role in the hiring process) as Operations Manager within the reformed organizational structure. I recommended City Planning and Development Director Adam Poll

as my replacement, which was officially confirmed by Council. It is good to instill new blood and fresh ideas into any organization, and Adam has certainly provided that. I believe City input and representation on the TBTA Board are in good hands. TBTA remains a critical service for those in the community with limited or no other transportation options.

Collective Bargaining

A major function of the City Manager is the general oversight of the operations of the City staff and its departments including the negotiation of collective bargaining agreements with the five City unions. 2017 saw the successful negotiation of new 3-year contracts through June 30, 2020 with the DPW, Clerical, Police Patrol, and Police Command bargaining units. Increases in wages were agreed upon averaging 2% per year, which is in line with increases in other similarly sized communities across the state. Retirement benefits within the City's defined benefit retirement system remained unchanged, a necessary stance to maintain the financial viability of the system. Increases averaging 1% per year were approved in the City's contribution to employees' individual deferred compensation funds; however, these were tied to a required contribution by the employee to encourage savings toward retirement. The next round of negotiations will be with the Fire/EMS unit beginning in early 2019.

Employee Benefits

In 2016 the City rebid all of its employee insurance programs (health, dental, life and long term disability). This resulted in considerable savings to the City and to our employees for calendar year 2017. Unfortunately, despite having over 90% of our participating employees enrolling in high deductible Health Savings Account plans, we were informed by BCBS that our rates for 2018 would rise an average 22%, an unsustainable increase for both the City and its employees. A working committee representing all the unions and admin was convened to work with our agent and Blue Cross representatives to review our plan options. In a true spirit of cooperation a unanimous consensus was reached to offer modified versions of the 2017 plans that maintained essentially the same benefits at an overall increase in premiums of 2.5-3%. Following a series of informational meetings for all employees, buy-in was strong and with just a few glitches the transition to the new plans has been relatively smooth. With the volatility of the health insurance industry, it is likely that an annual review and adjustment of our health plans may be necessary moving forward. But, based on the willingness by all employee groups to pull together to find common solutions in the best interests of all, I am confident that we will

be able to maintain quality health insurance at a cost sustainable to both the City and its employees.

Internal Operations

As highlighted last year one of the benefits of having HUB as the City's new health insurance agent, is the assistance available from HUB staff in the long overdue updating of our employee handbook. We were unable to initiate that project in 2017 due to other priorities; however, I have asked Kathy Himes, HR Director, to make it a priority for this year. Several of the policies and procedures within the handbook require updating and new ones need to be developed. This is necessary to protect both the City and employee when particular situations arise, while also ensuring consistency with existing union contracts. Consequently, further delay cannot be justified.

In conjunction with this staff will continue to review Council Policy Statements and City Standard Operating Procedures to ensure they are up-to-date, accurate and relevant in an ever changing legal and technology driven environment, focusing on those that directly impact the employee handbook.

City Internal and Intergovernmental Initiatives and Projects

Previously, I had mentioned the various development projects in planning, under construction or recently completed in the Alpena area. Several of these have included direct or indirect participation by the City to further support economic and community development efforts. The City continues to partner with neighboring communities on joint efforts that benefit our region, while also implementing projects that are internal to the City, all with the purpose of enhancing the quality of life for the City's and region's residents, visitors and businesses. These include:

- In March of 2016 the City Fire/EMS Department began implementation of an agreement approved by Council earlier in the year to provide first responder fire protection and EMS services to Presque Isle Township Fire District #2, while also assisting the Township in re-establishing its own District #2 Fire/EMS department utilizing our Department's expertise and guidance in the hiring and training of new recruits and the purchase of necessary equipment. The goal was, and is, to have a fully functional Township Fire/EMS Department by the end of the 3-year agreement. Now nearly two-thirds of the

way through the agreement very real progress has been made. Eighteen (18) volunteers have been recruited, trained, equipped and in service with the Department. All have received Medical First Responder training from AFD staff, as well remedial training and tutoring following participation in the Thunder Bay Area Firefighters Association fire academy resulting in a 100% pass rate by the Township recruits. Four (4) vehicles, three (3) trailers and a donated Jaws of Life are now in service with training provided by AFD staff. In 2017 the Township responded to 54 emergency calls (primarily medical). AFD mentors participated on all the runs, usually the Chief or Deputy Chief.

In the remaining year+ of the agreement the focus will be on developing leaders among the volunteer rank and file through training and mentoring by AFD staff. Though there is much work to be done, Chief Forbush is confident that the Presque Isle Township District #2 Fire/EMS Department will be ready to take on the role of an independent Fire/EMS department by March 2019. Already the residents and businesses within the District are very appreciative of the progress made. Despite the sacrifices in time made by our AFD, the results will be most gratifying to all and an example of the best that can be achieved through effective intergovernmental cooperation.

- Camp Grayling/CRTC Joint Land Use Study (JLUS)

In 2016 NEMCOG received funding to coordinate a Joint Land Use Study for Camp Grayling and the Alpena CRTC. These studies have been undertaken by the federal government jointly with the local communities adjacent to or within an impact sphere of the military facility. Through an RFQ&P process a consultant was hired to conduct the study under the auspices of NEMCOG. The goal of the study is *“to promote and enhance civilian and military communication and collaboration, serve as a catalyst to sustain the military mission, promote public health, safety, quality of life, and promote the sustainment and enhancement of continuing community and economic development of the northeastern Michigan region.”* This is to be accomplished through an inventory of the infrastructure and land use in and around the facilities, potential and actual conflicts between the military operations and the surrounding communities, areas of potential cooperation, economic development opportunities and any other issues that may surface during the study. When completed by the end of 2018 the study will provide

the blueprint for ongoing cooperative and compatible uses and activities between the bases, and in particular for us, the CRTC and our local communities. Myself, as the City representative, and the Mayor, as my alternate, serve on the JLUS Policy Committee consisting of military, federal, state and local community representatives that oversee the project and will make recommendations regarding the final document. Adam Poll, City Planning and Development Director, serves on the Technical Advisory Committee providing detailed expertise on a variety of issues to the Policy Committee. This project is probably one of the largest ever in our region that truly defines intergovernmental cooperation on a grand scale. It will be interesting to see the final results, especially in regard to the CRTC and its environs.

- Late last year the City's contracted appraisal firm completed a 2-year reappraisal of all residential buildings in the City with up to 3-units. Very few problems were encountered and all data has been entered into the City assessing parcel database. We now have updated values of City residential properties for the first time in decades. The new values will have little effect on overall City-wide residential values; however, individual properties could see significant swings up or down. The ultimate goal is fairer and more equitable assessments between properties.

Challenges and Priorities Moving Forward

Although we can be proud of our past and current accomplishments, with lists that seem to increase in length each year, we cannot rest on our successes. The City continues to face serious challenges in the years ahead and will need to set clear priorities to keep moving forward. These challenges continue to coalesce around two simple, yet complex and intertwined issues, revenue consistency and legacy costs. In today's governmental world these are, and will continue to be, the driving forces dictating how the City will function and provide the necessary services, infrastructure and community amenities in the years ahead. Many of the challenges we face sound familiar and may sound like a broken record, but they will continue to exert a strong influence over our decision making for the foreseeable future. These will be briefly highlighted below.

Challenges

1. **Tax Base:** In 2014 the State legislature enacted and the Governor signed a series of bills modifying a previous Act reforming the Personal Property Tax (PPT). The revised Act was to hopefully fully reimburse local units of government the loss in revenue due to the elimination of the PPT, which the previous Act left in doubt. Over the past two years the City has received approximately all of the lost revenue based on the formula. Whether this continues is uncertain; however, the process does seem to be stabilizing, which will be helpful during the budget process. The bigger ongoing revenue issue is the dramatic decline in Taxable property values during and after the Great Recession that have not fully recovered and may not for many years due to the limitations of the Headley and Proposal A amendments. As I stated last year the MML has been leading a multi-year initiative to educate the Governor's office and the legislature regarding the dysfunctional local government revenue system in the State of Michigan. Although many in the legislature have taken notice and the effort by MML continues, the legislative focus appears to be leaning more heavily towards general cost containment and control of legacy costs (which I will discuss later) rather than revenue enhancement. In reality all are equally important, but unless a big picture view is taken that includes all three issues, fiscal problems will continue to plague many local units of government to varying degrees.

So long as these issues persist we must continue to be prudent and cautious both during the budgeting process and as we implement the budget over the course of the fiscal year, closely monitoring both revenues and expenditures. Under the leadership of our new Clerk/Treasurer/Finance Director Anna Soik, I see no reason that the strong vigilance and budgetary restraint we have seen for so many years should not continue to the benefit of our taxpayers.

2. **Legacy Costs:** In past State of the City Addresses I have discussed this issue, which impacts most communities in the State, and revolves around Defined Benefit Retirement System and Retiree Health Care. Over the past ten years the City, in conjunction with the various unions, has taken a number of steps to stabilize our retirement system. Retiree health care has also seen some action taken, but for many years operated on a pay-as-you-go basis. Only in the last few years was more funding

budgeted to begin cutting into our unfunded liability. Late last year during the lame duck session the State legislature enacted several bills that were signed by the Governor. The primary Act is No. 202 that requires annual reporting to the State Treasury Department on the status of both funding liability and required contributions to both our Defined Benefit Pension system and our OPEB (Other Post Employment Benefits), primarily retiree health. If we are found to be in non-compliance, and for this year it does not appear that we are, we could be required to increase the City's annual contribution to these funds that could severely impact other portions of the City budget. We will need to monitor these closely each year and may need to look at a variety of options to comply with state law while maintaining a budget that continues to provide the necessary services to our residents and businesses.

3. ***Water/Sewer Rate Litigation with Alpena Township:*** After attempts at mediation and renewed negotiations failed to lead toward any meaningful resolution to our present dispute, the claims and counterclaims are headed to court at the end of this month, over 3½ years since the City filed suit. No matter the outcome of the trial and any appeals, if either side desires to continue along that track, the City and Township will still need to sit down across from one another and hash out a new water/sewer service agreement. Perhaps the outcome of the trial will provide direction to both parties that will lead to a satisfactory agreement that will allow both governmental units to move beyond this contentious issue and realize that there is much we can accomplish together to the better of both communities.

4. ***City Marina:*** The operation of the City marina continues to hang over the City budget, but when and how it will impact it, is still an open question. The current operators are committed through the end of 2018 and have indicated an interest in discussing other options beyond that. If some form of a new contract can be agreed upon it will bide the City time; however, we cannot assume this will go on indefinitely. We know that at some point in time the City will probably need to take over marina operations. Staff has discussed the need to develop a feasible transition plan, knowing that in all probability it will result in increased costs to the City, at least initially, placing further strain on an already tight budget, especially after the North Riverfront Park hit. It is never prudent to put off preparing a transition plan until the need is thrust upon us. That leads to

mistakes, which generally prove to be costly. Harbor Master Don Gilmet, with input from City Engineer/DPW Director Rich Sullenger, has been directed to develop a realistic and financially viable plan for a City-operated marina to be incorporated into a future City budget, when needed.

Priorities

1. ***Ongoing Review of City Operations:*** With the retirements that have already occurred and those that will be or are anticipated yet this year, it is important that we continue to anticipate and prepare for changes in the administrative ranks. This will be critical to the continued effective, efficient and safe operation of all our City departments to the benefit of residents, businesses, property owners, and of course our employees. With the loss of experience and knowledge due to retirements, it is even more critical to ensure that the transition from current leaders to new is as smooth as possible so that our new administrators are best prepared to take on their new roles. Such planning will include a review of job descriptions and departmental operations to determine whether refining or redefining a position is required to better meet the needs of the City as a whole, and in particular, the affected department. I will be working closely with the appropriate Department Heads as we are made aware of any impending departures and we continue the transition to the next generation of City administrative leaders.
2. ***Medical Marihuana Facilities Licensing Act:*** This past year the City through its Medical Marihuana Committee reviewed the 2016 Medical Marihuana Facilities Licensing Act with the purpose of presenting to Council a recommendation on whether the City should opt-in, opt-out or do nothing (wait and see) regarding participation in the Act by allowing some or all of the facilities permitted by the Act within the City. After multiple meetings that included presentations by both pro and anti-Medical Marihuana groups, input from the public and of course Committee members, the consensus recommendation at this time is to wait and see how the emergency rules established by the State work in practice and the impact of the various operations on those communities that have opted in. These will be monitored by staff and presented to the Committee for further discussion and a review of its current position, before forwarding this information on to Council for its consideration. Since the first licenses are not expected to be issued

until mid-year, I would anticipate that any new information regarding the rules and their implementation by the State and participating local jurisdictions will not be available until late summer or fall. Much could change in November when two ballot proposals will be before the statewide electorate on the legalization of the recreational use of marijuana.

3. **Sign Ordinance Update:** As I stated last year a late 2015 ruling by the US Supreme Court, suddenly made most every sign ordinance in the country unconstitutional. Signs could no longer be regulated by content of any kind. Instead sign standards (number, size, height, design, location, etc.) within a specific zoning district must have uniform standards for each sign type (freestanding, wall, ground, projecting, blade, etc.) regardless of content. City Planning and Development Director Adam Poll and the City Planning Commission with assistance from NEMCOG have spent most of the past year disentangling all references as to content and modifying language to comply with the Court's ruling. On February 13 the Commission conducted a public hearing on the revised regulations. The recommended language will be forwarded to Council for another public hearing before it renders a final decision. Once adopted much of the ongoing confusion regarding a number of sign issues should be clarified.

4. **Hillman State Trail:** The first leg of the planned non-motorized Hillman State Trail utilizing the former Paxton Spur has seen its share of delays, most notably due to issues with several bridges along the length of the trail. Ultimately, the trail will connect Alpena to Hillman and beyond to Gaylord. The State will oversee the construction of the entire trail including the eastern end that will follow the old railroad bed through the City from Bagley to Franklin Street, a distance of 0.6 mile. The agreement between the State and the City is for this portion of the 10-foot trail to be asphalted as part of the City's Bi-Path with pedestrian lighting along its entire length. The City will fund these upgrades with an approximate price tag of \$150,000. Due to these delays the City will utilize a portion of the \$75,000 budgeted toward the project this current fiscal year after July 1 to install the conduit for the pedestrian lights. The actual trail construction is not likely to begin until spring 2019 with the asphalt paving not occurring until after July 1, 2019 to allow for budgeting in that fiscal year. The City will then install the pedestrian lighting as funding becomes available. Since the trail bisects the Alpena High School campus, staff has worked with and has the support of Alpena Public Schools for these improvements.

City staff has eyed this portion of the Paxton Spur for inclusion in our Bi-Path system for several years, but only with the State's commitment to the Hillman Trail project, did this vision coalesce into a viable project. When coupled with the North Eastern State Trail and our recently completed trail head, the Hillman Trail and the paved Bi-Path addition will further link Alpena to the expansive State trail network, providing non-motorized access to much of Northern Lower Michigan and beyond.

5. ***Downtown Bicycle Parking Issues:*** The issue of bicycle parking and usage in the downtown will continue to be investigated by City staff in collaboration with the DDA. This may lead to recommendations that could change current usage patterns. The goal is to further enhance the non-motorized experience within our downtown, focusing on safety and convenience. Various options could be developed including the creation of one or two strategically located bicycle parking lots or other smaller consolidated parking areas. Originally planned for 2017, it was overshadowed by the Second Avenue two-way traffic issue. With that behind us, staff, in conjunction with the DDA, will take a serious look at various alternatives that could meet the needs of the cycling public, as well as, the downtown businesses. These, along with projected costs, will be presented to the DDA Parking Committee, and then to the DDA Board, Council and the public for input. If feedback is positive, an agreed upon project would be incorporated into the City's CIP for inclusion in a future City and/or DDA budget.

6. ***Comprehensive Plan Update:*** In 2018 the City Planning Commission will begin the mandated 5-year review and update of our Comprehensive Plan. NEMCOG and the City Planning and Development Director will be leading this effort working closely with and under the guidance of the Commission. With the many changes and new developments in the City, this is an opportunity for the Commission and staff to re-evaluate the goals and priorities of the City over the next 5-10 years and present a vision for the future with understandable and attainable objectives and action items for Council to consider.

7. ***Ongoing Marketing Efforts by Target Alpena:*** City staff continues to work closely and effectively with Target Alpena on economic development issues and projects

within the City. With the extension of water, sewer and street infrastructure across the wetlands to the rear of the US 23 North property before the end of the current fiscal year, the City will have its best opportunity to see development on this long held acreage. Consequently, I have requested that Target staff make a concerted effort to market this property. We have had interest in land that will be accessed by the new street for a possible development. It is in its very early conceptual stage, but could possibly result in that all important first development on the site. Additionally, Target staff continues to market the former Alpena Power Company site downtown. There has been interest, but it will take the right kind of mixed-use project to be successful on this uniquely shaped and situated site.

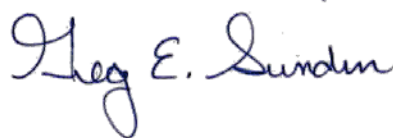
Over the past four years Target Director Jim Klarich and City Planning and Development Director Adam Poll, have developed a near seamless relationship that has reaped benefits for the City, often outside of the public eye. Economic development is often far more art than science with results often not seen for months or even years after initial contact. We see the results blossoming at the surface, but seldom the very deep roots that over time nurtured it to fruition. It is fortunate for the City and the region to have such a strong economic development team at Target and the Chamber that has worked so well with us and the other governmental units within its service area.

8. ***Exterior Lighting Upgrades:*** Over the past few years the City has slowly begun the process of replacing high pressure sodium street and pedestrian lights with LED light fixtures, most notably in Bay View Park and on Second Avenue downtown. This is being done both for cost savings and safety. We have received numerous compliments, as well as some complaints relative to the brightness of the lights, their effect on the viewing of the night sky and other potential negative effects. As we are an urban community, nighttime safety is important and lighting patterns and needs are different from those in less developed or rural settings. Although the City will continue the program of changing outdoor light fixtures both for financial and safety reasons, I have directed staff to further investigate various types of LED fixtures to determine if less intense ones can be used in certain situations. We will also look into the practicality of placing timers on specific banks of lights that could be shut down for set periods of time.

9. ***Mich-e-ke-wis Park Master Plan Updating:*** As stated earlier in my report this will be a major priority project in 2018 with the intent that it be completed in this calendar year.

Closing Remarks

I am still amazed, after this my third State of the City Address, with what we as a City and a community, have accomplished in the past year. I shouldn't be, but I still am. And 2018 looks to be just as impressive. Again, I would like to thank all those I have included in my address for what they have contributed to our City and community, and to apologize to those involved in projects and programs I have forgotten to mention. It says a great deal about our Council, City Administrative and Department employees, and above all the citizens of our City, County and region that we continue to move ourselves forward accomplishing great things that make us an ever better place to work, live and recreate. We have some big issues looming ahead of us, but I am confident that we will meet them head on and see our way through. If there is any shortcoming that we may have, it is that we do not toot our own horn enough. When one looks at the sheer volume, both in number and dollars, of what we are doing in our City and community at large, it is impressive to say the least. Yet many in our own community, and beyond in the Northeast Lower Michigan region and the State as a whole, remain unaware. That is a story that we all too often tend not to tell in its entirety, and we should and need to. Despite the challenges we face, the disagreements we may have, we always see a light at the end of the tunnel, finding new and creative ways of moving us forward. That is a story worth telling and one we should never tire of saying or hearing.



Greg E. Sundin
Alpena City Manager

February 19, 2018