

AGENDA REPORT

TO: Mayor Pat Humphrey & City Commissioners
FROM: Ken Hibl, City Manager
DATE: February 1, 2018
RE: Approve DDA & City Cost-Sharing Proposal
For the Agenda of February 5, 2018

Background. In response to Chairman Jim Allen's presentation to the Clare City Commission on December 4, 2017, the City Staff has reviewed the City's current process in respect to charging the DDA for services performed within the DDA District and drafted a proposed cost-sharing schematic (*copy att'd*) outlining revisions to the current service charge categories. The cost-sharing proposal was presented to the DDA at its January 2018 meeting; the DDA unanimously accepted/approved the proposal. The City Staff now asks that the Clare City Commission review, consider, and approve the cost-sharing proposal.

Issues & Questions Specified. Should the City Commission approve the cost-sharing proposal?

Alternatives.

1. Approve the cost-sharing proposal.
2. Approve a modified version of the cost-sharing proposal.
3. Direct that no changes be made to the current cost-sharing arrangement with the DDA.
4. Set aside decision regarding this matter to a subsequently scheduled public meeting.

Financial Impact. We estimate approval of the cost-sharing proposal will shift approximately \$25K-\$30K of the annual downtown maintenance costs to the City and concurrently relieve the DDA of that amount of annual expenses, which the DDA intends to use for capital improvements and investments within the DDA District. The bulk of the costs transferred to the City will be absorbed by the City's Street Funds. If the Commission approves the proposal, the new cost-sharing formula will be applied commencing in the 2018/2019 budget year, July 1, 2018/2019

Recommendation. I recommend that the City Commission approve the cost sharing proposal by adoption of Resolution 2018-010 (*copy att'd*).

Attachments.

1. Cost-Sharing Schematic.
2. Resolution 2018-010.

City Cost Elements

- **Snow removal & sweeping of streets, sidewalks, & parking lots**
- **Electricity costs for street lights & parking lot lights**
- **Insurance costs**
- **Construction costs for all new or replacement non-DDA-Funded infrastructure within the DDA District**
- **Repair & maintenance costs for all non-DDA-Funded infrastructure within the DDA District**
- **Traffic control and public safety signs & instruments**

DDA Cost Elements

- **Repairs to DDA-Funded streets, sidewalks, parking lots, & fixtures (excl. repairs req'd due to City infrastructure failure, e.g., water or sewer failures or as result of insurance-covered accidents, incidents, or Acts of Nature)**
- **Construction costs related to new or rehabilitation DDA-Funded projects**
- **Flowers, flower pots & hangars, flags, decorations, & signage purchased by or sponsored by the Clare DDA – to include annual Christmas decorations within the DDA District**

RESOLUTION 2018-010

A RESOLUTION OF THE CLARE CITY COMMISSION APPROVING A REVISED COST-SHARING PROPOSAL BETWEEN THE CLARE DOWNTOWN DEVELOPMENT AUTHORITY (DDA) AND THE CITY OF CLARE FOR EXPENSES INCURRED BY THE CITY WITHIN THE DESIGNATED DDA DISTRICT.

WHEREAS, the Clare Downtown Development Authority (DDA) was established in 1989 and has made a tremendously positive impact on the character and appearance of downtown Clare during its tenancy; and

WHEREAS, through its ability to capture tax revenue, the DDA has been able to fund multiple, major infrastructure projects in our downtown and is primarily responsible for making the City's downtown what it is today; and

WHEREAS, due to the fact that the DDA captures a portion of the property taxes within the downtown district, the City has historically charged the DDA (the City does the work and then invoices the DDA for the City's costs) for all maintenance costs (snow & ice removal, sidewalk snow removal, electricity costs, repairs to the entire streetscape environment, streetlight replacement and repairs, sweeping of parking lots, etc.) performed within the DDA District; and

WHEREAS, the current DDA Development Plan does not specifically stipulate that the DDA shall be required to pay for said maintenance costs within the designated DDA District; and

WHEREAS, recent (last 7-8 years) property devaluations and resultant decreases in revenues coupled with the DDA's debt repayment obligations for bond sales associated with funding downtown infrastructure projects has left the DDA in a financial situation that extremely limits its primary purpose for being – that being the advancement of the City's downtown district, and the projections for any short-term improvement in the DDA's fiscal future are not overly optimistic; and

WHEREAS, said situation is exacerbated by the fact that the initial downtown streetscape funded by the DDA is nearly 30-years old and is in need of maintenance and rehabilitation, and the DDA simply does not have the funds to defray the costs of the needed maintenance and rehab of the streetscape; and

WHEREAS, the DDA Director, with the endorsement of the appointed DDA Board, publicly discussed the current situation with the Clare City Commission in December 2017 with the result of the said discussions being a directive of the Clare City Commission to its City Manager and City Treasurer/Finance Director to develop a proposed cost-sharing plan that would defer a portion of the current downtown maintenance costs being paid by the Downtown Development Authority to the City, thereby permitting the DDA to again accrue funds for development and rehabilitation projects within the DDA District; and

WHEREAS, said cost-sharing plan was presented to the DDA Board in January 2018 and unanimously approved by the DDA; and

WHEREAS, said cost-sharing plan, which is attached to this Resolution as Tab A, has been reviewed and considered by the Clare City Commission.

NOW THEREFORE BE IT RESOLVED THAT the City Commission of the City of Clare hereby approves the cost-sharing proposal which delineates the cost-sharing categories to be paid for by the City of Clare and the Clare DDA, respectively, and attached as Tab A to this Resolution, said cost-sharing proposal to be implemented with the 2018/2019 Budget of said entities commencing on July 1, 2018.

ALL RESOLUTIONS AND PARTS OF RESOLUTIONS INsofar AS THEY CONFLICT WITH THE PROVISIONS OF THIS RESOLUTION BE AND THE SAME ARE HEREBY RESCINDED.

The Resolution was introduced by Commissioner _____ supported by Commissioner _____. The Resolution declared adopted by the following roll call vote:

YEAS:

NAYS:

ABSENT:

Resolution approved for adoption on this 5th day of February 2018.

Diane Lyon, City Clerk