

**CITY OF OWOSSO
SPECIAL MEETING OF THE CITY COUNCIL
MONDAY, APRIL 29, 2024
7:30 P.M.**

**Meeting to be held at City Hall
301 West Main Street**

AGENDA

**PLEDGE OF ALLEGIANCE:
ROLL CALL:**

ADDRESSING THE CITY COUNCIL

1. Your comments shall be made during times set aside for that purpose.
2. Stand or raise a hand to indicate that you wish to speak.
3. When recognized, give your name and address and direct your comments and/or questions to any City official in attendance.
4. Each person wishing to address the City Council and/or attending officials shall be afforded one opportunity of up to four (4) minutes duration.
5. In addition to the opportunity described above, a citizen may respond to questions posed to him or her by the Mayor or members of the Council, provided members have been granted the floor to pose such questions.

ITEMS OF BUSINESS

1. Special Assessments – Policies & Procedures. An in-depth discussion of the current policies and procedures governing special assessments and potential options for change.

Master Plan Implementation Goals: 1.26, 3.4, 5.5, 5.21

CITIZEN COMMENTS AND QUESTIONS

NEXT MEETING

Thursday, May 2, 2024 – Budget Work Session, 6:00pm
Monday, May 6, 2024 – Regular Meeting, 7:30pm

BOARDS AND COMMISSIONS OPENINGS

Building Board of Appeals – Alternate - term expires June 30, 2024
Building Board of Appeals – Alternate - term expires June 30, 2025
Zoning Board of Appeals – Alternate – term expires June 30, 2024
Zoning Board of Appeals – Alternate – term expires June 30, 2025

ADJOURNMENT

The City of Owosso will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio recordings of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon seventy-two (72) hours notice to the City of Owosso. Individuals with disabilities requiring auxiliary aids or services should contact the City of Owosso by writing, calling, or emailing the following: Owosso City Clerk's Office, 301 West Main Street, Owosso, MI 48867; Phone: (989) 725-0500; Email: city.clerk@ci.owosso.mi.us. The City of Owosso Website address is www.ci.owosso.mi.us.



Special Assessments

History

Prior to 2017

- A true 60/40 split for assessable expenses was used.
- Work consisted of mill-and-fill projects that only addressed resurfacing up to 4 inches.
 - No water or sewer replacements
 - No road base replacements
- Assessments were less because of the reduced scope of work
 - However, these resurfacing projects did not last long because the road base was not addressed

2017 - Present

- Projects started to include replacement of road base
 - Necessitated by either water/sewer replacement (which requires road base replacement) or;
 - Addition of road base replacement
- Assessments increased due to the expanded scope of work
 - Does not include water/sewer but much more road construction
- City staff incorporate the “4 inch/6 inch rule” to continue assessments but at a lower amount
 - 4 inch rule for residential (assessed 40% of the first 4 inches of surface)
 - 6 inch rule for commercial (assessed 40% of the first 6 inches of surface)
- This rule shifted more cost onto the city’s regular street funds by reducing assessments.

How it used to be: 2013

DISTRICT	STREET NAME	FROM	TO	ESTIMATED COST	ASSESSABLE FRONT FEET	FRONT FOOT RATE	AMOUNT ASSESSED	PERCENT ASSESSED	CITY SHARE
2013-01*	Brooks Street	Cleveland Street	the north end	\$60,838.95	853.75	35.92	\$30,666.70	50.41%	\$30,172.25
2013-02*	Chipman Street	Stewart Street	the railroad	\$186,884.81	2,250.93	33.21	\$74,753.24	40.00%	\$112,131.57
2013-03*	Cleveland Street	Chestnut Street	Carmody Street	\$199,242.92	1,913.13	52.50	\$100,439.07	50.41%	\$98,803.85
2013-04	Krust Drive	Dewey Street	North Street	\$271,675.52	4,136.80	33.11	\$136,969.55	50.42%	\$134,705.97
		TOTALS		\$718,642.20	9,154.61		\$342,828.56	52.29%	\$375,813.64
								GRAND TOTAL	\$718,642.20
WORK TO BE DONE									
2013-01	milling 4" of the existing surface, installation of 4" of new pavement, and installation of new concrete driveway approaches								
2013-03	milling 4" of the existing surface, installation of 4" of new pavement, installation of new concrete driveway approaches, and installation of new storm sewer and curb & gutter at the radius of Lafayette Street, Hoyt Street and the south side of Brooks Str								
2013-02	milling 5" of the existing surface, installation of 5" of new pavement, and the replacement of miscellaneous deteriorated sections of curb								
2013-04	milling 4" of the existing surface, installation of 4" of new pavement, and the replacement of miscellaneous deteriorated sections of curb								

*Projects not completed. Council did not proceed

EXAMPLE - Krust Project: 2013

NUMBER	FOOTAGE	DISCOUNT	FRONT FEET	FOOT RATE	ASSESSMENT
140-003-002	132	0.75	99.00	33.11	3277.89
541-000-030	66	0.75	49.50	33.11	1638.95
541-000-032	84.54	0.75	63.41	33.11	2099.34
370-000-010	78.5	0.75	58.88	33.11	1949.35
370-000-009	91	1	91.00	33.11	3013.01
370-000-008	96	1	96.00	33.11	3178.56
370-000-007	91	1	91.00	33.11	3013.01
370-000-006	91	1	91.00	33.11	3013.01
370-000-005	96	0.75	72.00	33.11	2383.92
370-000-004	93	0.75	69.75	33.11	2309.42
370-000-003	93	1	93.00	33.11	3079.23
370-000-002	93	1	93.00	33.11	3079.23
370-000-001	91.32	1	91.32	33.11	3023.61
360-000-037	105.88	1	105.88	33.11	3505.69
360-000-038	105	1	105.00	33.11	3476.55
360-000-039	105	1	105.00	33.11	3476.55
360-000-040	104.77	0.75	78.58	33.11	2601.70
360-000-041	121.03	0.75	90.77	33.11	3005.48
360-000-042	121.12	1	121.12	33.11	4010.28
360-000-043	110.18	1	110.18	33.11	3648.06
360-000-044	116.43	0.75	87.32	33.11	2891.25
360-000-045	99	0.75	74.25	33.11	2458.42
360-000-046	33	1	33.00	33.11	1092.63
541-000-043	132	0.75	99.00	33.11	3277.89
	KRUST		SPECIAL ASSESSMENT ROLL		
ROLL NUMBER	FRONT FOOTAGE	CORNER LOT DISCOUNT	ASSESSABLE FRONT FEET	FRONT FOOT RATE	AMOUNT OF ASSESSMENT
140-003-003	132	0.75	99.00	33.11	3277.89
370-000-011	99.3	0.75	74.48	33.11	2465.87
370-000-011	95.85	0.75	71.89	33.11	2380.20
370-000-012	90	1	90.00	33.11	2979.90
370-000-013	90	1	90.00	33.11	2979.90
370-000-014	95	1	95.00	33.11	3145.45
370-000-015	90	1	90.00	33.11	2979.90
370-000-016	95	1	95.00	33.11	3145.45
370-000-017	93	1	93.00	33.11	3079.23
370-000-018	93	1	93.00	33.11	3079.23
370-000-019	93	1	93.00	33.11	3079.23
370-000-020	91.32	1	91.32	33.11	3023.61
360-000-036	105.48	1	105.48	33.11	3492.44
360-000-035	105	1	105.00	33.11	3476.55
360-000-034	105	1	105.00	33.11	3476.55
360-000-033	104.64	0.75	78.48	33.11	2598.47
360-000-032	110.05	0.75	82.54	33.11	2732.82
360-000-031	100.83	1	100.83	33.11	3338.48
360-000-030	86.67	1	86.67	33.11	2869.64
360-000-029	173.56	0.75	130.17	33.11	4309.93
360-000-020	132	0.75	99.00	33.11	3277.89
360-000-019	132	0.75	99.00	33.11	3277.89
	4662.47		4136.80		\$136,969.55

How it is now...

- 2024 Stewart St Reconstruction
 - Total Cost = 1,604,976
 - Assessable Amount = \$648,488
 - Total Assessments = \$227,159
 - **Percentage of Total: 14%**
 - **Percentage of AM: 35%**
- 2023 North Street Rehabilitation
 - Total cost = \$1,376,270
 - Assessable Amount = \$625,808
 - Total Assessments = \$215,874 (included Owosso township portion)
 - **Percentage of Total: 16%**
 - **Percentage of AM: 35%**
- 2023 Center Street Crush and Shape
 - Total cost = \$556,099
 - Assessable Amount = \$407,190
 - Total Assessments = \$135,454
 - **Percentage of Total: 24%**
 - **Percentage of AM: 34%**
- 2023 Lee Street Rehabilitation
 - Total cost = \$218,469
 - Assessable Amount = \$117,604
 - Total Assessments = \$44,732
 - **Percentage: 20%**
 - **Percentage of AM: 38%**
- 2022 Maple Avenue Reconstruction
 - Total cost = \$185,350
 - Assessable Amount = \$104,316
 - Total Assessments = \$40,285
 - **Percentage: 22%**
 - **Percentage of AM: 39%**
- **NOTE: Notice how the old assessments paid for 40-50% of the total project cost while modern assessments account for 15-25% of total project costs.**

Example: Lee St. Reconstruction - 2023

NORTH SIDE								
ADDRESS NO.	STREET	ROLL NUMBER	FRONT FOOTAGE	CORNER LOT DISCOUNT	ASSESSABLE FRONT FEET	FRONT FOOT RATE	AMOUNT OF ASSESSMENT	ZONING TYPE
600	CLARK	050-670-001-016-00	165	0.75	123.75	\$84.48	\$10,454.40	R-1
601	ADA	050-670-001-013-00	165	0.75	123.75	\$84.48	\$10,454.40	R-1
			330		247.50		\$20,908.80	
SOUTH SIDE								
ADDRESS NO.	STREET	ROLL NUMBER	FRONT FOOTAGE	CORNER LOT DISCOUNT	ASSESSABLE FRONT FEET	FRONT FOOT RATE	AMOUNT OF ASSESSMENT	ZONING TYPE
721	LEE	050-660-003-011-00	93	0.75	69.75	\$84.48	\$5,892.48	R-1
715	LEE	050-660-003-012-00	72	1	72.00	\$84.48	\$6,082.56	R-1
709	LEE	050-660-003-005-00	66	1	66.00	\$84.48	\$5,575.68	R-1
533	ADA	050-660-003-004-00	99	0.75	74.25	\$84.48	\$6,272.64	R-1
			330		282.00		\$23,823.36	
			Total Assessable F Front Footage:		529.50		\$44,732.16	

Example: North St. Rehabilitation - 2023

ROLL NUMBER	FRONT FOOTAGE	CORNER LOT DISCOUNT	ASSESSABLE FRONT	FRONT FOOT RATE	AMOUNT OF ASSESSMENT	Zoning	PROPERTY ADDRESS	Parcel #
	239	1	239.00	\$56.93	*13,606.27	C-1		
	745.91	1	745.91	\$48.48	*\$36,161.72	R-2		
050-535-000-006-00	129.8	1	129.80	\$48.48	\$6,292.70	R1	202 W NORTH	050-535-000-006-00
	132	1	132.00	\$48.48	*\$6,399.36	R-2		
050-535-000-002-00	228	0.75	171.00	\$56.93	\$9,735.03	OS1	114 W NORTH	050-535-000-002-00
050-535-000-008-00	3	0.75	2.25	\$48.48	\$109.08	R1		050-535-000-008-00
	810.63	1	810.63	\$56.93	*\$46,149.17	C-1		
050-536-000-042-00	132	1	132.00	\$48.48	\$6,399.36	R1	2 N SHIAWASSEE ST	050-536-000-042-00
050-536-000-038-00	104	1	104.00	\$48.48	\$5,041.92	R1	507 W NORTH ST	050-536-000-038-00
050-536-000-039-00	80	1	80.00	\$48.48	\$3,878.40	R1	503 W NORTH ST	050-536-000-039-00
050-536-000-040-00	88.09	1	88.09	\$48.48	\$4,270.60	R1	501 W NORTH ST	050-536-000-040-00
050-390-003-026-00	62.75	1	62.75	\$48.48	\$3,042.12	R1	409 W NORTH ST	050-390-003-026-00
050-390-003-028-00	60	1	60.00	\$48.48	\$2,908.80	R1	405 W NORTH ST	050-390-003-028-00
050-390-003-027-00	66	0.75	49.50	\$48.48	\$2,399.76	R1	1333 ADAMS ST	050-390-003-027-00
050-390-004-016-00	66	0.75	49.50	\$48.48	\$2,399.76	R1	307 W NORTH ST	050-390-004-016-00
050-390-004-017-00	84	1	84.00	\$48.48	\$4,072.32	R1	305 W NORTH ST	050-390-004-017-00
050-390-004-018-00	114	0.75	85.50	\$48.48	\$4,145.04	R1	1333 N WATER ST	050-390-004-018-00
050-390-005-014-00	132	0.75	99.00	\$48.48	\$4,799.52	R1	1332 N WATER ST	050-390-005-014-00
050-390-005-015-00	132	0.75	99.00	\$48.48	\$4,799.52	R1	201 W NORTH ST	050-390-005-015-00
050-320-000-005-00	74.33	0.75	55.75	\$48.48	\$2,702.64	R1	115 W NORTH ST	050-320-000-005-00
050-320-000-006-00	92.32	1	92.32	\$48.48	\$4,475.67	R1	109 W NORTH ST	050-320-000-006-00
050-320-000-001-00	132	0.75	99.00	\$48.48	\$4,799.52	R1	3 N WASHINGTON ST	050-320-000-001-00
050-320-000-119-00	168	0.75	126.00	\$48.48	\$6,108.48	R1	4 N WASHINGTON ST	050-320-000-119-00
050-320-000-129-00	83	1	83.00	\$48.48	\$4,023.84	R2	120 E NORTH ST	050-320-000-129-00
050-320-000-120-00	120	1	120.00	\$48.48	\$5,817.60	R2	204 E NORTH ST	050-320-000-120-00
050-320-000-121-00	64	1	64.00	\$48.48	\$3,102.72	R1	208 E NORTH ST	050-320-000-121-00
050-320-000-122-00	154.1	1	154.10	\$48.48	\$7,470.77	RM1	300 E NORTH ST	050-320-000-122-00
050-320-000-123-00	77.05	1	77.05	\$48.48	\$3,735.38	R1	N HICKORY ST	050-320-000-123-00
050-320-000-124-00	193.25	0.75	144.94	\$48.48	\$7,026.57	R1	1425 N HICKORY ST	050-320-000-124-00

Street Program Cost Increases: 2013-2024

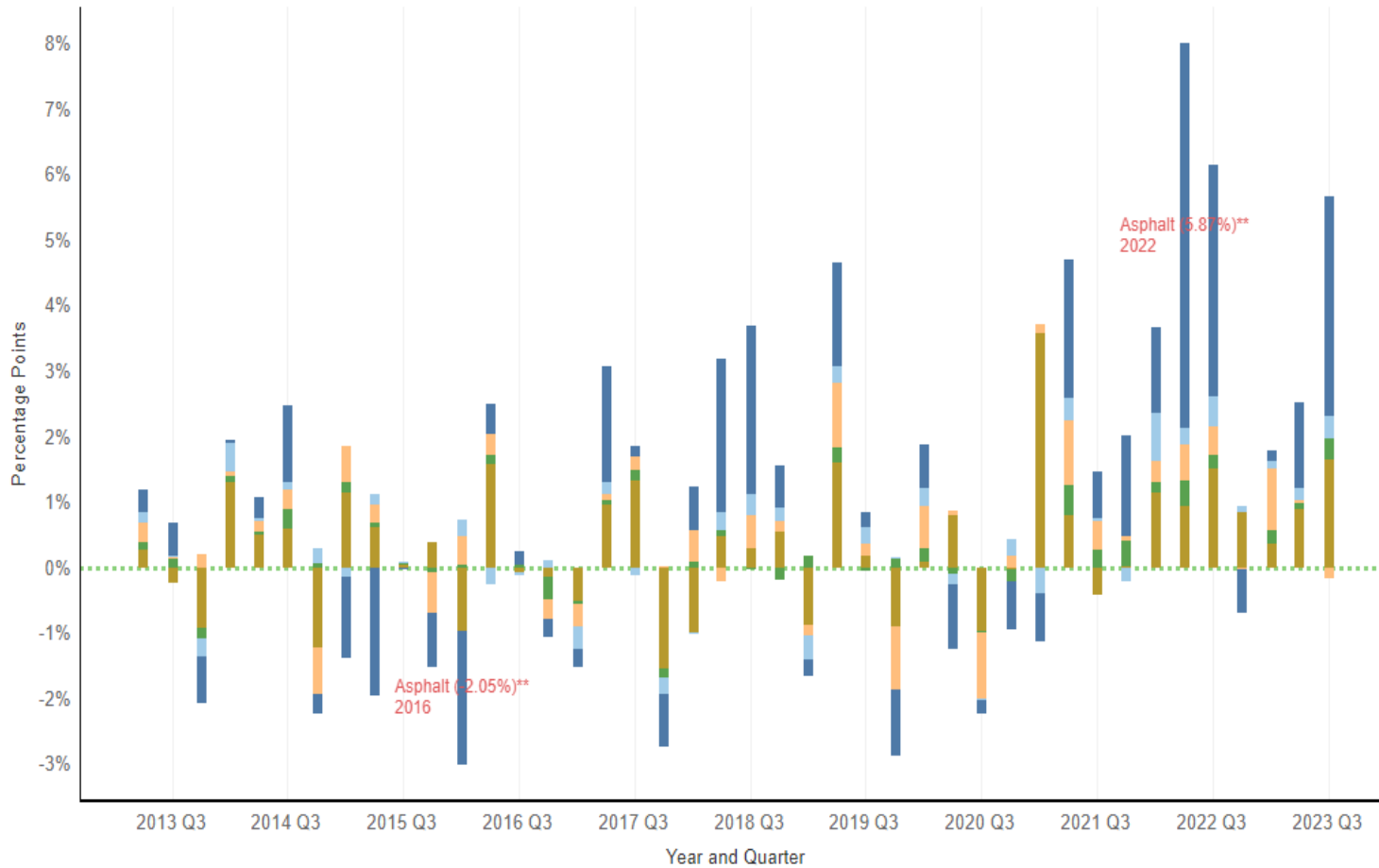
- **Cumulative inflation** (US Bureau of Labor Statistics)
 - 36%
- **Cost of Diesel Fuel** (energy information administration)
 - 3% (but volatile)
- **BUT, then there's the big one: Cost of Street Construction**
 - 94% increase from 2013-2024...

Cost of Street Construction Components: 2013-2024

U.S. Department of Transportation
Federal Highway Administration

Component Contributions to Changes in NHCCI from Previous Quarter

Select Year and Quarter:



Filters

View By:
9 Groups

- Asphalt
- Base Stone
- Concrete
- Drainage
- Grading/Excavation

9 Group Filter Component
(Multiple values)

13 Group Filter Component
(None)

25 Group Filter Component
(None)

* Value indicates component contributions (in percentage points) to the percentage change in NHCCI from the previous quarter. The sum of contributions of components for a quarter equals to the quarter's percentage change in NHCCI.

** The largest single change in NHCCI by component

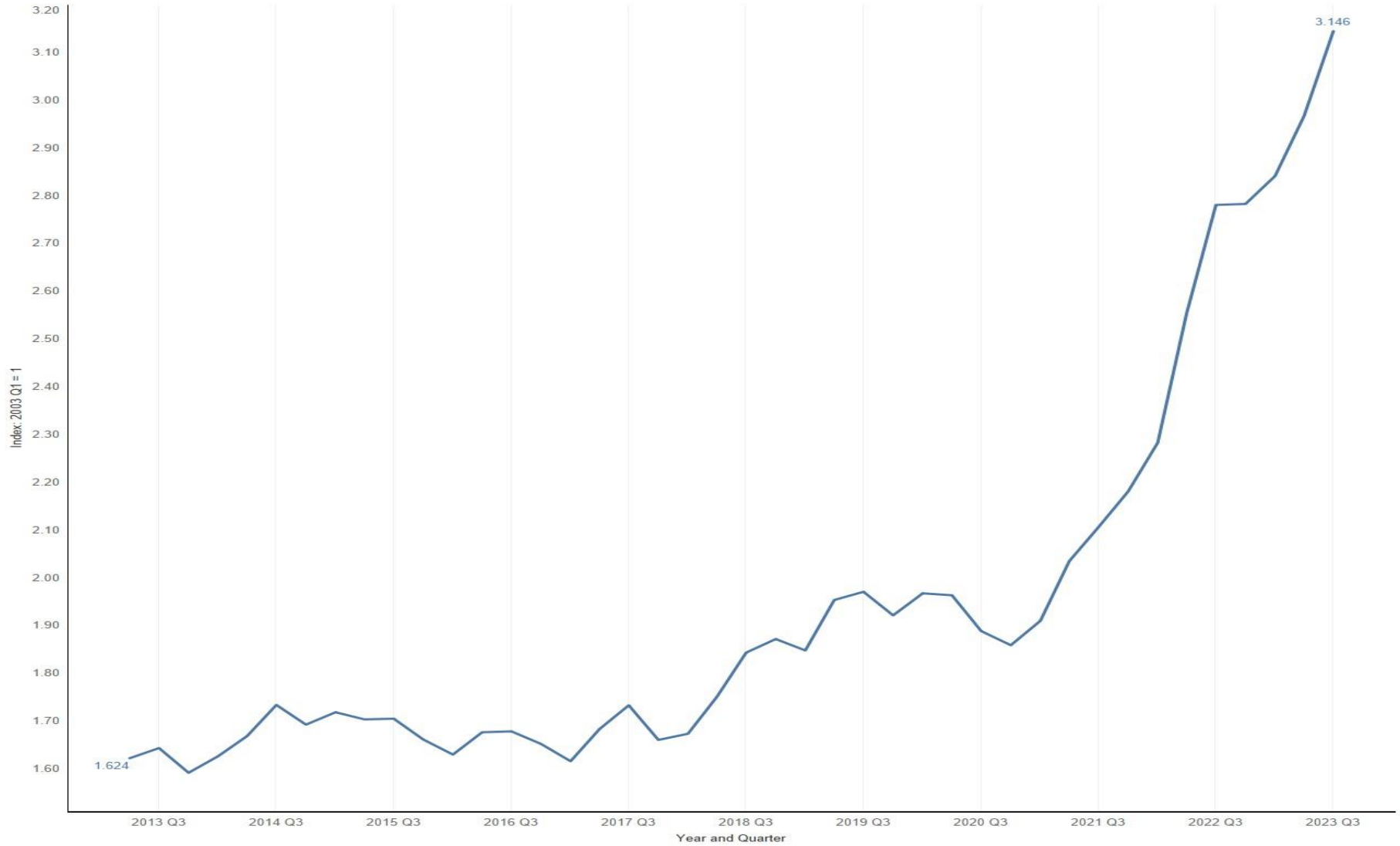


U.S. Department of Transportation
Federal Highway Administration

National Highway Construction Cost Index (NHCCI)

Select Year and Quarter:
2013 Q1 to 2023 Q3
and Null values

Select Series:
 NHCCI
 Seasonally Adjusted NHCCI



2023 Q2 index is preliminary.
2022 Q4 and 2023 Q1 indexes are revised.

These increases have changed SAD policy in Owosso

2013

- 60/40 split for TOTAL cost because...
 - Most projects were simple mill-and-fill
 - Utilities were not addressed
 - Road base was not addressed

2024

- After 2017, the 60/40 split was watered down:
 - 4 inch rule for residential
 - 6 inch rule for commercial
 - 60/40 on ASSESSABLE amount
 - This reduced the final assessments, making them more affordable.
- Projects now involve replacement of utilities, replacement of road base, or both.
 - So, even with a watered down assessment calculation, assessments have continued to grow because we are going deeper
- EGLE now requires all Lead Service Lines replaced.
 - Necessitates either full water main/LSL replacement or just LSL replacement
 - Condition of water mains usually requires full replacement

Street Funding: No Help

- Public Act 51 Formula Has Not Changed
 - State gas tax (\$0.30/gallon - 2023)
 - State Highway Fund: 39.1%
 - County Road Commissions: 39.1%
 - Cities and Villages: 21.8%
- Cost to rehab 1 mile of street: est \$2 million
 - 71 miles of streets in Owosso

Latest PASER Rating Mileage Summary

Printed On March, 21, 2024

Roadsoft Version 2023.7

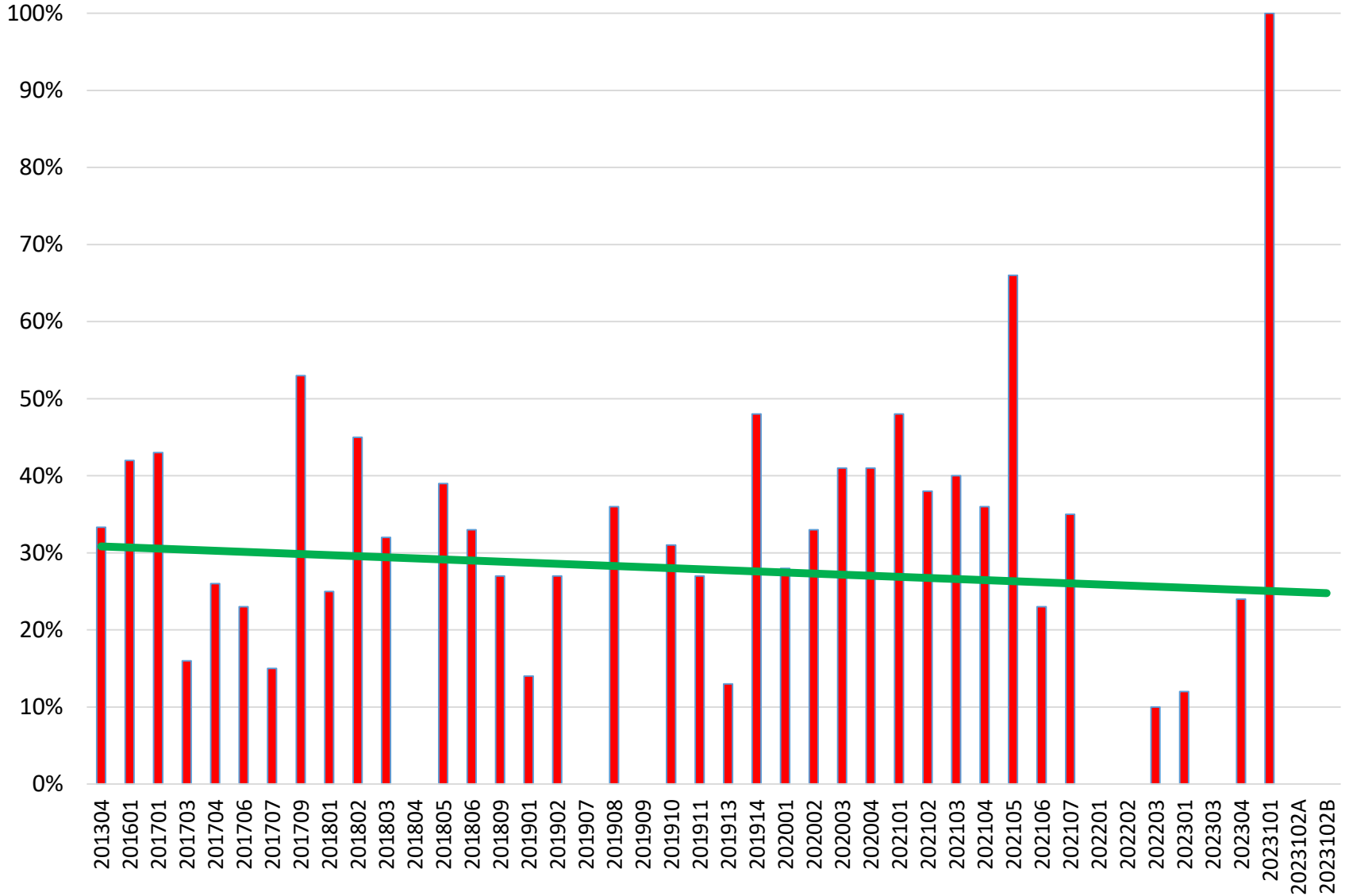
Legal System	PASER Rating										Not Rated	Total Centerline Mileage	APR*
	10	9	8	7	6	5	4	3	2	1			
City Major	0.488	3.212	2.806	1.088	2.063	3.842	3.527	6.979	0.341	0.000	0.043	24.389	5.378
City Local	0.588	2.477	3.260	1.421	5.509	5.643	9.346	15.623	2.748	0.299	0.169	47.083	4.577
Total Centerline Mileage	1.076	5.689	6.066	2.509	7.572	9.485	12.873	22.602	3.089	0.299	0.212	71.472	4.851
	Good: 12.831			Fair: 19.566			Poor: 38.863						

*APR=Average Paser Rating calculated by weighting the mileage with the paser value

- Estimated cost to rehab streets with “poor” rating: \$77.7 million
 - Does not include utilities replacement

How many pay off assessment in 1st year?

Percentage of 1st-year Assessment Payoffs



Interest Revenue

- Difficult to estimate for future assessments because of the varying amounts of assessments that are paid off in the 1st year.

Fiscal Year	principle	interest	total	Interest Rate
FY 23/24	242,719.32	27,013.65	269,732.97	3% interest/year
FY 22/23	169,199.27	45,529.86	214,729.13	6% interest/year
FY 21/22	435,238.20	54,236.57	489,474.77	6% interest/year
FY 20/21	451,673.11	58,064.85	509,737.96	6% interest/year
FY 19/20	425,736.74	53,437.12	479,173.86	6% interest/year
FY 18/19	406,900.81	16,636.19	423,537.00	6% interest/year

What about bonding for street projects?

- If the city bonds for street projects:
 - Interest rate would have to be +1% more than the interest on the bond.
 - Interest should at least cover the cost of bond counsel and finance agent (typically \$25k-\$75k)
 - Would require voter approval
- MTF Bonds – an option
 - Secured by our Act 51 revenue and the full faith and credit of the city (real estate taxes/ad-valorem)
 - Electronic Municipal Market Access (EMMA) report
 - City has \$42 million available before hitting legal debt margin.
 - Risky without revenue to cover increased debt service.
 - Does not require voter approval

Reducing 60/40 if voters pass a bond?

- Possible, but...
 - Current assessments haven't been true 60/40 since 2017.
 - Right now its more like 80/20 to 70/30
 - Current assessments are reduced by the 4"/6" rule.
- The more assessments are reduced, the less available for street projects and the faster they deteriorate.

Increasing corner lot discounts?

- Very nominal difference in the big picture
 - Example: 6 out of 27 parcels for 2024 Stewart St Project are corner lots
 - \$35,961 from corner lots at 25% discount
 - \$23,974 from corner lots at 50% discount
 - \$12,000 less if the discount was 50% on Stewart St
- Current discount is 25% (Assessable amount X 0.75)
- Increasing discount to 50% (Assessable amount X 0.5)
 - Would mean an estimated reduction in the average total special assessment of around 5 to 10 percent per project.

The end