



City of
CHARLOTTE

MEMORANDUM

TO: Mayor Lewis and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: City Manager Report

DATE: May 10, 2019

Pension and OPEB. As expected, I have received notification from the Michigan Department of Treasury that the City must file a corrective action plan within 180 days to address funding deficiencies in its pension and retiree health insurance plans. I previously reported that I will be attending a workshop on May 23 that will include presentations from Treasury regarding the corrective action plans. As Council is aware, we have previously taken steps to reduce these obligations in the future that included closing our defined benefit pension benefit to new hires and terminating eligibility for the retiree health insurance benefit to all but a handful of employees who were grandfathered in. It appears that these actions are insufficient in meeting the requirements of a corrective action plan. Further, we will continue to see an erosion of our pension funding level as the Municipal Employees Retirement System implements changes to its actuarial assumptions including lowering the expected investment rate of return. We expect to recommend, as part of the corrective action plan, creating a trust through MERS into which contributions can be paid to fund those benefits. Additional funding sources will be necessary, however, to meaningfully address these matters. I will be offering a specific recommendation as a part of our larger budget discussion.

W. Harris Street Reconstruction Grant. You will recall that authorized DPW Director Amy Gilson to submit a grant application for the reconstruction of a portion of West Harris Street to be funded from a pool of monies appropriated for such projects in cities under 10,000 population. We were notified yesterday that our project would not be funded. One hundred sixty application were submitted for projects totaling more than \$25 million and only \$3 million is available annually. We also submitted an application for the 2020 round of funding. Those awards will be announced in early June.