



Memo

To: Honorable Mayor Armitage; City Council

From: City Manager LaPere, MPAP

Date: January 5, 2023

Re: Council Policy Priorities Discussion

City Administration has a few recommendations of priorities for the upcoming year and beyond. First and foremost, is the city's road rehabilitation plan. As we discussed when establishing priorities for ARPA funding allocation, the residents have identified this as a key priority. This will be complemented by the three major infrastructure projects planned in 2023: Safe Routes to Schools sidewalk project, Island Highway reconstruction, and Hall/Washington/McClure reconstruction. The other major project planned for the upcoming year that will have community-wide impact is the Master Plan update. These two items – road plan and community plan – tie together well as they will both require significant planning and community engagement, and both will have community impact.

The City is also in progress on a third-party water rate study which will result in recommendations policy and ordinance updates, as well as provide a long-term financial plan for the water and sewer utilities. This study will be complete early this year with a presentation to Council and the public planned for early spring.

Administration has also provided two documents for Council to review as it considers its policy priorities for the upcoming year: Vision 2025 Strategic Plan and the 2020 Operational and Fiscal Analysis.

Operational and Fiscal Analysis. This document was completed in December 2020 and was the result of an effort by the City to have a consultant review the financial and operational status of the city and suggest efforts to effect improvement. As with any consultant study, the report is broad based and provides many ideas for consideration while recognizing not all will, or ought, to be implemented. There are over 50 recommendations and ideas to consider, some of which may not be feasible or desirable and some of which will take time to fully implement. Council will have to determine which of the remaining recommendations make sense for the community given what has been implemented since the report was issued, the effects of those actions, and changing community needs, and then prioritize and allocate resources accordingly.

As mentioned, a number of recommendations have been implemented in the past two years. The most significant financial recommendation, addressing the General Fund structural deficit, has been remedied by way of implementing the Special Assessment District to defray the costs of fire protection. This also accomplished another recommendation of seeking additional revenues to support fire services. In connection with this effort, the fire fund was created for the department, also a recommendation of the report. Council adopted a fund balance policy, and administration has eliminated the third-party financial services contract. Further consideration will be needed for the appropriate administrative

structure as we continue to operate below-recommended staffing levels for the administrative offices. We retained a part time code enforcement officer, and assigned oversight of those duties to the Community Development Director. We have shifted building permitting to Eaton County Construction Code. Administration has also implemented a new credit card processing company.

There are a number of recommendations related to the pension system and its underfunded liability that continues to put financial strain on the city. In FY21-22, the city contributed an additional \$175k into the pension system and established a surplus division for those funds. In the current fiscal year, the city will be contributing at least an additional \$150k into the system, on top of the required annual contribution of over \$1.1mill. Further discussion on the merits of various recommendations and opportunities to continue to address the unfunded liability will be part of the larger budget conversations this spring. In general, Administration does not recommend taking on additional debt to pay for this debt. We also are waiting further details from Michigan Treasury on the state grant program for underfunded pension liability and expect to know more about that program in April. The volatility in the markets has added another level of uncertainty as to the city's funded levels and how that will impact the upcoming (FY23/24) annual required contribution. We receive our actuarial report in spring, typically May or June, and that will provide additional data to determine best path forward. Nonetheless, achieving a funded status above 60% remains a priority.

There are a few items planned for the upcoming calendar and/or fiscal year that accomplish some other recommendations in the report including a staffing study for the fire department and Administration also is currently working on the review and update of its personnel policies, job descriptions, pay scales, and staffing overall.

A few recommendations in the report have not been considered as they have not been a priority of Council, this includes providing single hauler curbside collection, utilizing third-party planning consultant for plan reviews, modifications to capitalization thresholds, requiring residents share costs of sidewalk repairs, exploring regional fire authority, and levying a tourism millage. Other recommendations, such as subscribing to various software programs have not been undertaken as we've addressed those financial planning goals through restructuring the administrative team and/or did not find the benefits of the programs justify the expense.

Vision 2025 Strategic Plan. This document was completed in April 2020, and due to the timing at the start of the pandemic there has been limited opportunity to fully implement some of the recommendations. This document was created as a partnership with a number of community groups and stakeholders, and utilized public engagement to create the strategic goals and objectives. There were seven strategic goals identified: Improve access to and engagement in the arts; Improve access to basic needs; Improve community engagement and communication with the city; Improve economic opportunity for residents and businesses; Improve education outcomes and opportunities for individuals of all ages; Improve environmental quality; and Improve community health and wellness. Within the document are recommendations for various ways the city can work to realize those goals and the city has an implementation spreadsheet that outlines specific tasks and responsible organizations. Some of those recommendations have been implemented, but there is opportunity to build upon those successes. It should be noted, this was a comprehensive plan that contemplated other entities spearheading many of these initiatives. I would recommend the City re-engage with those other organizations to work collaboratively on reviewing and taking action on these shared priorities.

attachments

eel