

CALL TO ORDER:

Mayor Pro-Tem Hunsaker called the Regular City Council Meeting to order at 6:13 p.m. He led the pledge of allegiance.

ROLL CALL:

Council Members Present: Matthew Cooper, Dave Hunsaker, Mark Kellogg, and Jennifer Whitman

Excused: Denise Donohue and Trevor VanDyke

STAFF:

Daniel Coss, Lisa Grysen, and Bruce Ferguson,

AUDIENCE:

Mayor Leeming

AGENDA:

Motion by Whitman, seconded by Cooper and carried by unanimous vote of the Finance Committee that **the agenda be approved as presented.**

APPROVAL OF MINUTES:

None

PUBLIC COMMENT:

None

NEW BUSINESS:

1. Review of the Five-Year Budget Model for General Fund, Major Street Fund, Local Street Fund, Motor Pool and Water/Sewer Fund (FY 2024 to FY 2028):

In anticipation of preparing the FY23-24 budget, we have prepared a Five-year Budget Model that analyzes future revenues and expenditures for the "major" city funds. The budget will be covered in its entirety during the meeting.

A synopsis sheet is provided for the General Fund along with assumptions used to develop the model. For the Major and Local Street Funds, Water/Sewer Fund and Motor Pool Fund actual revenue and expenditure sheets along with assumption sheets are provided.

The purpose of the model is to forecast where we think the City is headed financially. The Five-Year Budget Model serves as a guideline for Mayor and Council to set goals about future budget/project priorities and methods for financing these priorities.

A few conclusions the model reveals:

- 1) The General Fund will remain a balanced budget for the life of the Five-Year Model but will utilize fund balance in each year to remain balanced. The model is showing a decrease in the Fund Balance over the entire five years. Residential home values have remained strong for the last two years, but the City still should be cautious until a longer-term trend can be formulated on housing values. The Taxable Value is being modeled to increase by 2.2% per year over the next five years.

- 2) Our goal for the General Fund balance has been 25% of the total expenditures for each fiscal year. The fund balance average is 28.37% for all years of the budget model. Keep in mind that when we calculate the 25% fund balance figure, we are first removing the "transfers out" from the General Fund expenditures since transfers are not a true operating expense. The Fund Balance averages approximately \$1,153,441 over the life of the model. In FY24-25 a significant use of the fund balance reserve is budgeted to cover costs associated with improvements for the DPS building.
- 3) The use of seasonal/temporary employees in the DPS will continue to be utilized. While employee costs continue to increase, changes in benefits for future employees have been implemented and will provide long-term savings to the City. A contribution of \$25,000 has been budgeted each year for the outstanding OPEB liability (Retiree Health Care). In addition to a contribution to the OPEB liability, the model is proposed to be a \$150,000 per year contribution to the MERS Retirement Liability to help offset the Annual Required Contribution (ARC).
- 4) To maintain the major and local street system satisfactorily, the General Fund will continue to support the Local Street fund in all years of the model. The budget model proposes annual transfers from the General Fund to the Local Street Fund in all years of the model. In addition, the Major Street fund will contribute \$85,000 to the Local Street fund and additional funds will come directly from Local Street Fund each year. This will allow \$225,000 per year to be spent on the Local Streets. The goal of the City should be to allow the Street Funds to support all of the activities without the assistance of the General Fund. Even with the additional revenues from the Gas Tax the Local Streets are not in a position to cover all the expenses without help from the General Fund and Major Street fund.
- 5) The Water/Sewer Fund continues to remain healthy over the course of the model with only minor adjustments in the quarterly sanitary sewer fee. The proposed adjustments are calculated at a 2- percent (2%) increase each year of the model, but that is dependent on Capital Improvement requirements at the Clean Water Facility (SCCMUA). Funds are also available to complete routine maintenance on the sanitary sewer system and rehabilitate our aging system as necessary. Please keep in mind that even though LBWL operates and delivers water to our system the City of DeWitt is responsible for major repairs and extensions to the system. The only source of revenue to cover those repairs is gained through the current utility billing.

As you review the estimated figures for FY 2023-24; please keep in mind that this will be representative of what will be proposed as the actual budget for FY 2023-24, in addition to any changes made during the Five-Year Budget meeting.,

General Fund

Assumptions

Revenues:

Taxable Value is anticipated to be as follows (based upon a **2.2%** annual increase from FY 2022-23 value of \$186,500,000):

FY23-24	\$190,600,000
FY24-25	\$194,800,000
FY25-26	\$199,000,000
FY26-27	\$203,378,000
FY27-28	\$207,445,560

Spreadsheet figures exclude DDA TIF capture

The millage rate is proposed to stay at 13.00 mills for the City's General Operating Millage and there are no Special Millages proposed. State Revenue Sharing is budgeted to increase by 2.0 percent each year.

Expenditures:

Funds that are affected by a Collective Bargaining Agreement have had the wages adjusted by 2.6 percent for the Police and 2.5 percent for the DPW. Both CBAs are set to expire on June 30, 2025, and contract negotiations will begin before the expiration. Wages for non-union personnel have been budgeted for a 2.5% increase for each year of the budget model.

Health insurance is proposed to increase by 5% per fiscal year for all employees. This is taking into account costs that are paid through employee contributions and the uncertainty of the healthcare coverage market. The buyout cap is proposed to remain at \$375 per month during FY23-24 and remain at this amount for the term of this model.

Continue to participate in the Medical Flex Spending Account program for all employees (Total cost \$10,000).

Life and Disability insurance is proposed to increase by 2% per fiscal year.

Retirement is budgeted as follows:

General Employees Group	22%
Police Department Group	20%
Public Services Group	30%

The budget model is using a 7.0% rate of return, which is reflected in each department's pension costs.

The budget model assumes four elections per fiscal year and training every other year for election workers.

Transfers from the General Fund out to Local Street Fund are proposed at \$40,000 per year for the life of the model to be used towards construction repair for Local Streets. As the cost of road repair increases the Local Street Fund relies more heavily upon the General Fund to fill the funding gap.

Fire service expense is \$217,000 in FY23-24 and is budgeted to have an increase of \$60,000 in FY25-26 to address increased costs for the Fire Authority (increased staffing, equipment, etc..).

The Building and Grounds budget contains funds for the following capital improvements:

FY22-23	Bond Debt Payment	\$140,000.00
FY23-24	Bond Debt Payment	\$140,000.00
FY24-25	Bond Debt Payment	\$140,000.00
FY25-26	Bond Debt Payment	\$140,000.00
FY26-27	Bond Debt Payment	\$140,000.00

The Recreation budget contains funds to pay the City's portion of the cost of operating the DeWitt Area Recreation Authority. The five-year budget model proposes an increase of 2% per year (currently \$36,546 for FY 2022-23).

GENERAL FUND PARKS CAPITAL PROJECTS:

- 2022-23 - Riverside, Sports Park, and McGuire Improvements - \$530,000
- 2023-24 - McGuire Park Playground - \$125,000
- 2024-25 - Millbrook Park - \$100,000
- 2025-26 - Percy Caris Park - \$150,000
- 2026-27 - River Trail Park - \$150,000

Major Street Fund

Assumptions

Revenues:

Gas and Weight Tax revenues have increased each year for the last 2 years and are expected to continue to increase over the next few years. MDOT estimates show a more modest increase for 2022-2023 due to the collection of taxes on recreational marijuana. Major Streets will provide a transfer of \$85,000 annually to Local Streets, for road improvements throughout the life of the model. In FY2022-23 Turner Street from Herbison to Dill will be paved. The project is a Federally Funded project; 80-20 split. The City's matching costs are approximately \$77,000.00. Additional funds are budgeted to make repairs/improvements to non-participating storm sewer infrastructure, the burial of utility lines, and transformer relocation on Bridge Street. Fiscal Year 2025-26 includes \$75,000 for a city match towards resurfacing East Main Street from Market to the City Limits but is dependent on receiving additional federal funds.

Expenditures:

Salaries are forecasted to increase by 2.5% throughout the life of the model but are somewhat dependent on weather conditions and road conditions. Fringes will remain at 60% of salaries Operating expenses will increase by 2% annually

Capital Projects:

- FY22-23 Turner Street Resurfacing
- Utility/Transformer Relocation on Bridge Street (North and South)
- FY25-26 East Main Street Resurfacing

Local Street Fund

Assumptions

Revenues:

Gas and Weight Tax will increase 2% annually with a base of \$155,000 FY22-23. The General Fund, and Major Street Fund will provide an annual transfer of funds each year to offset the cost of construction projects. With construction and material costs continuing to rise, the budget has been increased to \$225,000 per year to offset the increases. The budget model assumes the General Fund contributes \$40,000 per year toward the maintenance of local streets. The GF contribution will have to be monitored each year and potentially increased to accomplish the paving improvements as laid out in the Five-Year Transportation Improvement Plan.

The fund balance in the Major Street fund remains very healthy over the life of the model and may be able to increase the transfer to the Local Streets to provide for additional paving. This will be monitored each year.

Expenditures:

Salaries are forecasted to increase by 2.5% annually through the life of the model but are somewhat dependent on weather conditions and road conditions. Fringes will remain at 60% of salaries Operating expenses will increase by 2% annually

Capital Projects:

Local road resurfacing budget of \$225,000 to \$250,000 per year, which includes engineering costs. See attached Transportation Improvement Plan for a schedule of proposed streets and the corresponding year.

Water and Sewer Fund

Assumptions

Revenues:

Quarterly sewer rates are proposed as follows: (based on a 2% per year increase)

		# of REUS Billed	Anticipated Revenue
FY22-23	\$72.54	2278	\$652,524
FY23-24	\$74.00	2288	\$677,248
FY24-25	\$75.48	2300	\$694,416
FY25-26	\$77.00	2310	\$711,480
FY26-27	\$78.54	2320	\$728,851
FY27-28	\$80.11	2330	\$746,625

The Sanitary Sewer Connection fee is proposed to remain at \$3,700 for the life of the budget model. The revenue projections in the budget sheets do not account for new construction or changes in REUs for commercial businesses. The budget sheets assume a constant REU count and a 2% increase in rates throughout the life of the model.

Expenditures:

Assumes a 2.5% average annual increase in the cost of SCCMUA, except for FY23-24. There is an adjustment in the cost of SCCMUA for the large plant upgrade project. The adjustment was based on an estimated cost of \$16 million. The project bid with engineering totals \$23.3 million. To determine the most efficient way to pay the debt on the project \$15,000 has been budgeted in FY23-24 for a rate study performed by a consultant.

Assumes a 2% annual increase in hydrant rental. The City pays 12% of the total billed water sales quarterly to the LBWL for hydrant rental. The option exists to have the water customers, rather than the City, pay this expense. The total amount billed each year is calculated on the total flow used by City residents.

The Repair and Maintenance line item contains funds for continuing the City's fire hydrant replacement program to phase out the non-standard/non-self-draining fire hydrants; \$1,750 each year for retrofitting hydrants and \$15,000 per year for sanitary sewer preventative maintenance activities, such as root-foaming, sewer relining, etc... The Capital Outlay line Item for Sanitary

Sewer includes improvements as outlined in the SAW Grant Capital Improvement Plan. The sanitary sewer improvements are coordinated with the road resurfacing projects each year. Fiscal Year 2023-2024 has the East Dill sanitary sewer extension budgeted.

Motor Pool Fund

Assumptions

Revenues:

The primary source of revenues for the Motor Pool Fund is in the form of transfers from other funds that utilize the equipment owned by the Motor Pool Fund. The General Fund and Water/Sewer Fund pay the Motor Pool Fund a lump sum amount for usage. As required by Public Act 51, the Major and Local Street Funds pay per MDOT equipment rental rate based on actual usage.

Expenditures:

Expenditures in the Motor Pool Fund typically fluctuate from fiscal year to fiscal year based on budgeted equipment purchases. Other expenses i.e. gas, insurance, and equipment repair are typically more predictable.

The purchases proposed are as follows:

FY22-23

Zero Tum Mower	\$17,000
4x4 Truck	\$40,000
J.D. Gator	\$11,000

TOTAL: \$68,000

FY23-24

Large Dump Truck	\$180,000
Patrol Vehicle	\$45,000

TOTAL: \$225,000

FY24-25

Patrol Vehicle \$45,000

TOTAL: \$45,000

FY25-26

Zero Tum Mower \$17,000
4x4 Truck and Plow \$40,000

TOTAL: \$57,000

FY26-27

Street Sweeper \$180,000
Patrol Vehicle \$45,000

TOTAL: \$225,000

FY27-28

Zero Tum Mower \$17,000

TOTAL: \$17,000

ADJOURNMENT:

Motion by Whitman, seconded by Kellogg and carried by unanimous vote of the Council that
the meeting be adjourned at 8:50 p.m.

Respectfully submitted,

Lisa M. Grysen
City Clerk-Treasurer

David Hunsaker
Mayor Pro-Tem