

## Budget –

The next session (May 3<sup>rd</sup>) will consider adoption of the proposed 2016 – 2017 Budget for the City of Manistee. I've raised a number of issues, but was unsuccessful in gaining changes to the proposed budget. I've attached Budgets from Cadillac and Ludington for comparison in strategy. All you really need to read is the first dozen pages or so of each document to see that personnel costs (mostly retirement) are consuming increasing percentages of available revenue, and unfunded liabilities are common. Cadillac has nearly \$6,000,000 in unfunded liabilities compared to Manistee's \$1,330,000 figure. Ludington is struggling with the issue also. I've proposed moving to a more stable and predictable Defined Contribution plan for future employees (and honoring the obligations made to current employees).

Motor pool funding and purchases don't balance. Motor pool rental charged to departments do not cover the cost of purchase and maintenance of various department vehicles. The fund was originally funded through a sale of property at \$551,000 and now is below \$400,000 and unable to make cash purchases to maintain the fleet. Ludington is looking to replace two expensive pieces of equipment with bond revenue this year, a Vactor and Front End Loader – their existing equipment is 20 – 30 years old and requires extensive maintenance. We have started using our Motor Pool fund like the capital Improvement fund, leveraged to pay installments instead of "pay-as-you-go" purchases. Other communities put purchases off until they can pay for them. Our Capital Improvement fund has been used in the same manner, and over 70% of what could be spent for improvements this year is not obligated to debt service (over 65% for the next 8 years). It is interesting that Ludington is putting \$25,000 aside in a "restricted fund" for the future replacement of park restrooms – actually building a fund to support the work rather than borrow it against future revenue. They are also limiting Motor Pool purchases to \$200,000 – the amount they have available for cash purchase.

The Water and Sewer rates in Ludington are going up more each quarter than Manistee's annual rate increase – and are projected to increase substantially the next two years as they take on a \$35,000,000 water and sewer project with a long term Federal loan – that's an eye popping number! I'll resist any transfer of funds from Water and Sewer to other fund projects, as the build-up of fund balance was stated in our 2015 Bond to finance future Water and Sewer maintenance needs and prevent additional bonding. The MNA reported that half of the DPW Electric Gate costs was to come from that fund – I consider it a dedicated fund, not a slush fund for other projects.

A number of issues that did not get removed will come before Council again as they exceed \$25,000 in value and must be competitively bid and approved by Council.

Thanks again for your support! Jim