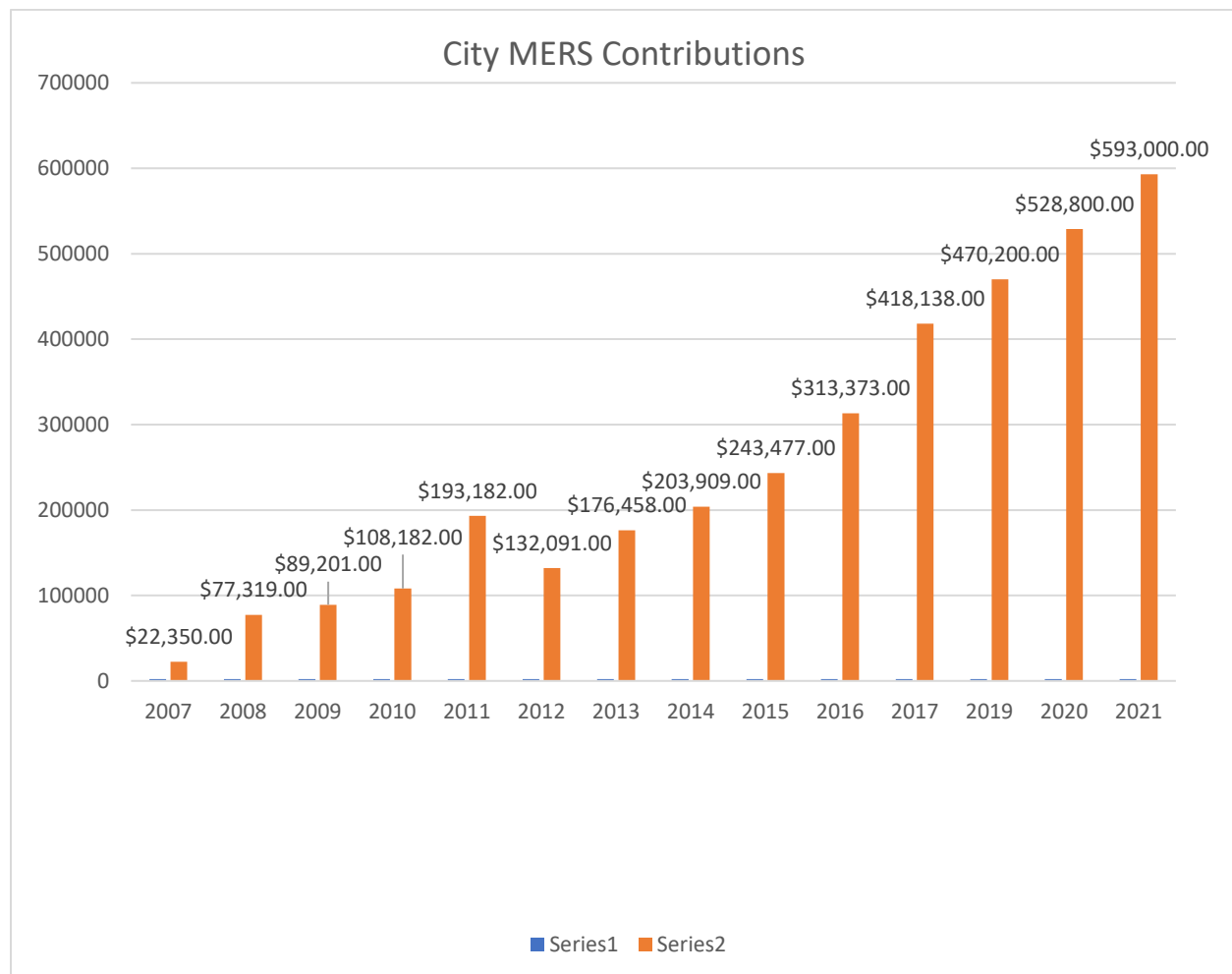


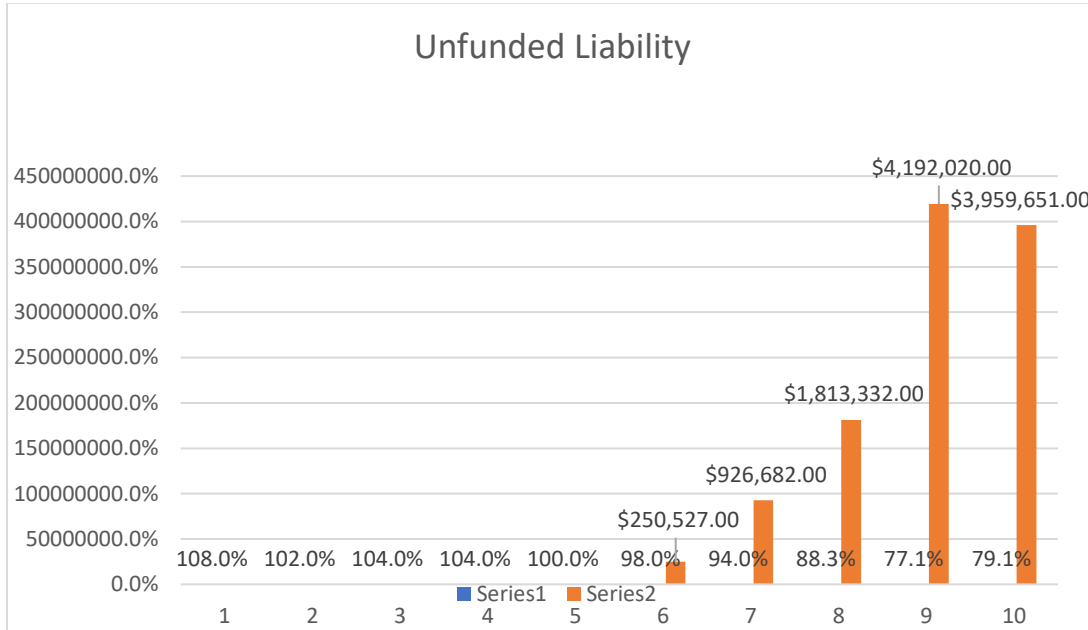
Update March 11, 2018

It is Budget time, should be presented to Council the last week in March and to the Public the first week in April. By City Charter, it must be adopted by Council by May 15th, or the City Manager submitted Budget is the adopted Budget. A lot takes place in a short period of time. Several members of Council have been researching and preparing for months and shared Council goals with City Staff in a session last month.

Retirement – there was a work session on retirement that addressed concerns over the rising costs and increasing unfunded liability. Below is a history of Michigan Employee Retirement System (MERS) City contributions and projections from Budget documents. The Council adopted MERS based on City Staff recommendation in January 2005, transferring the City’s assets of \$12,306,240 with a liability of \$11,996.927 – 102% funded. The City union groups agreed to the change because it reduced their contributions and guaranteed a fixed retirement income. There is great disparity between union groups today on contributions from the City and limits. The City contributes a little as 4% to one group, and nearly 28% to another, imposes a 10% City contribution cap on one group (they are responsible on the actuarial based contribution above that level) and no cap on other groups. The Council consensus was to place non-union employees hired in the future in a Defined Contribution 401/457k program instead of the current MERS Defined Benefit program. Unions will require negotiation in the future.



The liabilities most recently available are as the chart below indicates. The City operates on a July 1 through June 30 year Budget schedule and MERS operates on a calendar year, January 1 – Decembers 31 basis, so Audits can be confusing. Basically, our contributions are rising at an unstainable level and we've gone from overfunded to underfunded.



There is no good solution. Employee contributions are 4% of salary and the City (taxpayers) are obligated for actuarial established payments and fluctuations in MERS investments and market conditions.

I'm available if you want to discuss this issue or would like to know more.

Health Care – another major expense. The City moved to a high deductible Health Care Plan several years ago to reduce premium costs. The Health Care costs in the 2017 – 2018 Budget for City Employees was \$970,401, with \$807,404 of that paid by the City.

I'm pushing for a more detailed disclosure of position costs in the Budget, to identify what the costs is per employee, so the taxpayer can see the expense per position. At this time salaries, retirement, health care, and other benefits are reflected as a lump sum value in the budget – The Public Works Director is mixed in with the other positions in the Public Works Department, the Public Safety Director is mixed in with the Public Safety Departments Police and Fire/EMS divisions. A \$61,000 "position" can easily be a nearly \$100,000 expense when all the benefits are added in. Ever wonder what a given position costs the taxpayer? Just in case your curious, \$397.83 is my gross monthly pay as mayor, no health or benefits – that is my total except for the City matching Social Security and Medicare deductions. Mayor Pro Tem Zielinski do not file mileage or meal reimbursements for any travel but do get our Registrations for the Capitol Area Conference and Michigan Municipal League events and motels paid for by the City. There is my full disclosure.

Streets – still looking more street funding. Councilmember Pontiac and I suggested an additional \$200,000 from the Oil & Gas fund this year and Board members and staff opposed it. We went along with the standard 4% spending rule, with the understanding that Council has the option to discuss and

approve additional funding. Previous Council decisions have obligated 80% of the 4% funding in the past to finance Capital Improvements, so limited flexibility exist from that funding source. Councilmember Beaton recommends all City property sale proceeds be dedicated to Street maintenance, and two sales have taken place recently totaling nearly \$40,000 and there are sale offers totaling an additional \$210,000 to be considered. Imagine what an additional \$450,000 for Street funding would do for us this year!

Growth – the General Fund Budget has grown \$700,000 since 2013. I know where the increases have come from and where the expenses have grown to claim them. I've been studying the budgets back to 2003 and have some pretty good notes and issues developed. If you want to discuss them, call or email me – we'll get together. The growth has not been from tax base by the way.

Recent agendas have been volume challenging, several pushing the 200 page mark with all of the attachments. They are typically posted on Thursday afternoon, which allows review from Friday through Monday for the Tuesday meeting. If we have questions, we typically get them to staff on Monday.

Some items are routine and don't need much research, such as a pick-up truck purchase that was approved in the budget. I verify the budget item and price, make sure there are competitive bids or the purchase is through the State purchase Program, and generally ask about the disposition of the existing item. Since it was already approved and budgeted, it's a matter of following the process.

Let me know what you are interested in. I'll post again in a few days and apologize to the lack of postings. Computers challenge my vision and I'm slowly adapting to the change. Email is jsmith@manisteemi.gov and cell phone is 231-690-3948 (leave a message if I don't answer, I'll return your call). Come visit at morning coffee (7:00 am) at House of Flavors. Jim