

**CALL TO ORDER:**

Mayor Pro-Tem Hunsaker called the Finance Committee Meeting to order at 6:10 p.m. He led the Pledge of Allegiance.

**ROLL CALL:**

Council Members Present: Matthew Cooper, Denise Donohue, Dave Hunsaker, Trevor VanDyke, Frank Waters and Jennifer Whitman

Excused: None

**STAFF:**

Daniel Coss, Lisa Grysen, Mayor Leeming and Police Chief Bruce Ferguson

**AUDIENCE:**

None

**AGENDA:**

Motion by Donohue, seconded by Whitman and carried by unanimous vote of the Council that **the agenda be approved as presented.**

**APPROVAL OF MINUTES:**

None

**PUBLIC COMMENT:**

None

**CITY ADMINISTRATORS REPORT:**

None

**OLD BUSINESS:**

None

**NEW BUSINESS:**

1. Review of Five-Year Budget Model for General Fund, Major Street Fund, Local Street Fund, Motor Pool and Water/Sewer Fund (FY2021-2025) Discussion Only:

In anticipation of preparing the FY20-21 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 is forecasted to remain a balanced budget for the life of the five-year model, but due to increasing expenses and forecasting of capital expenditures in the City parks system the model is utilizing additional Fund Balance in the last three years of the model. The declining pressure on residential home values appears to be subsiding, 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 2.2% per year over the next five-years.
2. Our goal for General Fund fund-balance has been 25% of the total expenditures for each fiscal year. The fund balance average is 23.16% 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 \$784,603 over the life of the model.
3. The use of seasonal/temporary employees in the DPS will continued to be utilized. While employee costs continue to increase, changes in benefits for future employees have been implemented and will provide for a long-term savings to the City. The 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 \$150,000 per year contribution to the MERS Retirement Liability to help offset the Annual Required Contribution (ARC).
4. In order to maintain the major and local street system in a satisfactory manner, 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 \$35,000 to the Local Street fund and additional funds will come directly from Local Street Fund each year. This will allow \$175,000 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 1-percent (1%) 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 regular 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 2020-21; please keep in mind that this will be representative to what will be proposed as the actual budget for FY 2020-21, 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 2.2% annual increase from FY 2019-20 value of \$165,500,000):

FY20-21	\$169,200,000
FY21-22	\$172,500,000
FY22-23	\$176,300,000
FY23-24	\$180,200,000
FY24-25	\$184,200,000

Spreadsheet figures exclude DDA TIF capture

Millage rate is proposed to stay at 13.00 mills for the City General Operating Millage and there are no Special Millages proposed. State Revenue Sharing is budgeted to increase 2-percent each year.

#### ***Expenditures:***

Funds that are affected by a Collective Bargaining agreement have had the wages adjusted to reflect the contract. 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 at 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 FY20-21 and remain at this amount for the term of this model.

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

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

Retirement is budgeted as follows:

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

In anticipation of MERS decreasing the rate of return from 7.75%, to an unknown rate of return, the pension cost are anticipated to increase. 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.

Transfers from the General Fund out to Local Street Fund is proposed at \$75,000 per year for the life of the model to be used towards construction repair for Local Streets. As cost of road repairs increase the Local Street Fund relies more heavily upon the General Fund to fill the funding gap.

Fire service expense is \$183,497 in FY20-21 and is budgeted to increase 2% each fiscal year thereafter, until FY22-23 where an additional increase is budgeted to address increased costs for the Fire Authority (increased staffing, equipment, etc...).

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

<b>FY20-21</b>	<b>Bond Debt Payment</b>	<b>\$135,000.00</b>
<b>FY21-22</b>	<b>Bond Debt Payment</b>	<b>\$135,000.00</b>
<b>FY22-23</b>	<b>Bond Debt Payment</b>	<b>\$135,000.00</b>
<b>FY23-24</b>	<b>Bond Debt Payment</b>	<b>\$135,000.00</b>
<b>FY24-25</b>	<b>Bond Debt Payment</b>	<b>\$135,000.00</b>

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 \$34,437 FY 2019-20).

**GENERAL FUND PARKS CAPITAL PROJECTS:**

2020 - Sports Park Parking Lot Resurfacing - \$45,500

2021 – Cross Walk from Riverside Park to Memorial Park - \$12,500

**GENERAL FUND PARKS CAPITAL PROJECT CONSIDERATIONS:**

**Riverside Park**

Splash Pad - \$305,000 with Restrooms and Mechanical Room

Splash Pad - \$350,000 with Restrooms, Mechanical Room and Pavilion

Splash Pad - \$475,000 with Restroom, Mechanical Room, Pavilion and Parking Lot expansion at Riverside Park

Band Shell - \$50,000.00

Playground Equipment - \$75,000 - \$125,000

**Sports Park**

Playground Equipment replacement - \$75,000 - \$125,000

**Memorial Park**

Sidewalk Installation - \$25,000.00

Memorial Gardens - \$15,000.00

**Millbrook Meadows Park**

Playground Equipment Upgrades - \$35,000 - \$50,000

**McGuire Park**

Playground Equipment - \$75,000 - \$125,000

**Percy Carris Park**

Playground Equipment - \$35,000 - \$50,000

Basketball Court - \$45,000

## **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 more modest increase for 2021-2022 due to collection of taxes on recreational marijuana. Major Streets will provide a transfer of \$35,000 annually to Local Streets, for road improvements throughout the life of the model. In FY2020-21 South Bridge Street from Washington to Herbison Road is expected to be paved. The project is a Federally Funded project; 80-20 split. The City's matching costs are approximately \$90,000.00.

#### **Expenditures:**

Salaries are forecasted to increase 2% 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 2% annually

2012 Wilson Street Bond: \$320,000\* (2011-2012) paid in full October 21, 2022 (FY2022-2023)

#### **Capital Projects:**

FY20-21 South Bridge Street Resurfacing (some portion may be Advance Construct)

Bridge Street Bridge Repairs

Schavey Road Bridge Repairs

Utility Relocation on Bridge Street (North and South)

## **Local Street Fund**

### Assumptions

#### **Revenues:**

Gas and Weight Tax will increase 3% annually with a base at \$135,000 FY20-21. 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 amount of paving that can be completed within the \$175,000 construction budget will be reduced each year. The budget model assumes the General

Fund contributes \$75,000 per year towards 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 Local Street Projects for 2020-2021 are estimated to have significant cost increases due to more drainage work than expected.

#### **Expenditures:**

Salaries are forecasted to increase 2% 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 2% annually

**Capital Projects:**

Local road resurfacing budget of \$190,000 to \$200,000 per year, which includes engineering costs. See attached Transportation Improvement Plan for schedule of proposed streets and corresponding year.

**Water and Sewer Fund**

Assumptions

**Revenues:**

Quarterly sewer rates are proposed as follows: (based on 1% per year increase)

		# of REUS Billed	Anticipated Revenue
FY19-20	\$69.72	2170	\$605,169
FY20-21	\$70.42	2180	\$614,062
FY21-22	\$71.12	2190	\$623,011
FY22-23	\$71.83	2200	\$632,104
FY23-24	\$72.55	2210	\$641,342
FY24-25	\$73.27	2220	\$650,637

The Sanitary Sewer Connection fee is proposed to remain \$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 REU's 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.

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; three (3) per year at \$5,000 each or \$1,750 each year for retrofitting hydrants and \$30,000 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 for each year.

**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 an 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, equipment repair are typically more predictable.

Purchases proposed are as follows:

**FY19-20**

Large Dump Truck w/Plow	\$160,000
Zero Turn Mower – Diesel	\$16,000

**TOTAL: \$176,000**

**FY20-21**

Wood Chipper	\$30,000
4x4 Truck	\$34,000
Leaf Box	\$7,000

**TOTAL: \$71,000**

**FY21-22**

Large Dump Truck	\$160,000
John Deere Gator	\$11,000
Patrol Vehicle	\$35,000

**TOTAL: \$206,000**

**FY22-23**

Zero Turn Mower	\$17,000
4x4 Truck w/Plow	\$40,000

**TOTAL: \$57,000**

**FY23-24**

Street Sweeper	\$150,000
Patrol Vehicle	\$35,000

**TOTAL: \$185,000**

**FY24-25**

F550 Truck	\$50,000
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**TOTAL: \$50,000**





**ADJOURNMENT:**

Motion by VanDyke, seconded by Whitman and carried by unanimous vote of the Council that **the meeting be adjourned at 8:05 p.m.**

Respectfully submitted,

Lisa M. Gysen  
City Clerk-Treasurer

Dave Hunsaker  
Mayor Pro-Tem