

FY2024 Annual Operating Budget Work Session Minutes

April 3, 2023

Meeting called to order at 4:19PM

Roll Call:

Council Members Present: Schippers, King, Elenbaas, Engels, Mayor Filkins

Council Members Absent: None

Staff Present: Peccia, Roberts, Ottjepka, Wallace

No public comment.

Motion to approve agenda by Council Member Schippers, Support by Council Member Elenbaas; motion unanimously approved.

Mayor then turned the meeting over to City Manager Peccia for an introduction to the budget discussion. Peccia turned the meeting over to Director of Finance Owen Roberts to discuss the proposed FY2024 Annual Operating Budget.

Roberts highlighted the budget using the attached budget summary included as an attachment to these minutes.

Councilmember King asked for an analysis of Engineering costs and whether it would be prudent to hire a City Engineer vs. contracting all engineering services. Also mentioned that the City should reach out to Wexford County to gauge their willingness to allocate a portion of their ARPA funds to street improvements in the vicinity of the Wexford County Courthouse and county offices.

Discussed various pain points regarding staffing. Mayor Filkins mentioned that it may be time to look at any opportunities to add staffing in areas like Community Development with all of the current activities in this area.

Councilmember Elenbaas asked if it would be possible to replace the wood parts of the old stone benches at Kenwood Park.

Repairs to the White Pine Trail behind Harbor View were discussed.

Meeting adjourned at 5:32PM.

City of Cadillac

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BUDGET SUMMARY

Much of the information included in this summary can be found in the Budget Summaries and Analysis section on pages 53-67 of the budget document.

Total Revenue and Spending

The proposed FY2024 budget recommends the following:

	FY2024 Proposed	FY2023 Adopted	Change	% Change
Revenues	\$22,236,800	\$20,474,800	+\$1,762,000	+8.61%
Expenditures	\$24,842,700	\$22,111,500	+\$2,731,200	+12.35%
Revenue Over (Under) Expenditures	(\$2,605,900)	(\$1,636,700)		

The use of reserves on hand is nearly all related to street construction projects in the Major and Local Street Funds and the Downtown Infrastructure Fund (See pg. 55). Summary of use of reserves:

Fund	Reserves Used
General Fund	(\$256,300)
Major Street Fund	(861,200)
Local Street Fund	(921,900)
Capital Projects Funds	(517,800)
Other	(48,700)
	(\$2,605,900)

Capital Budget

The proposed budget includes about \$3 million in appropriations for capital investment, highlighted by the following:

- **General Fund (\$439,500):** Sidewalks (\$35,000), Fire Department Approach (\$110,000), Police Department (\$165,000), Fire Department (\$34,000), Parks and Recreation (\$95,500) (p. 107)
- **Major and Local Street Funds:** \$1.91 million in Street construction utilizing funds on hand and transfers from General Fund recommended in FY2023
- **Water and Sewer Fund:** \$673,000 million in Water and Sewer Infrastructure (p. 128)
- **Stores and Garage Fund:** Leaf Vacuum Trailer (\$140,000), Oil Separator/Drain (\$15,000)
- **Information Technology Fund:** PC Replacement (\$20,000), Wireless Infrastructure (\$50,000). City is now on Merit fiber network, so wireless project should move forward.

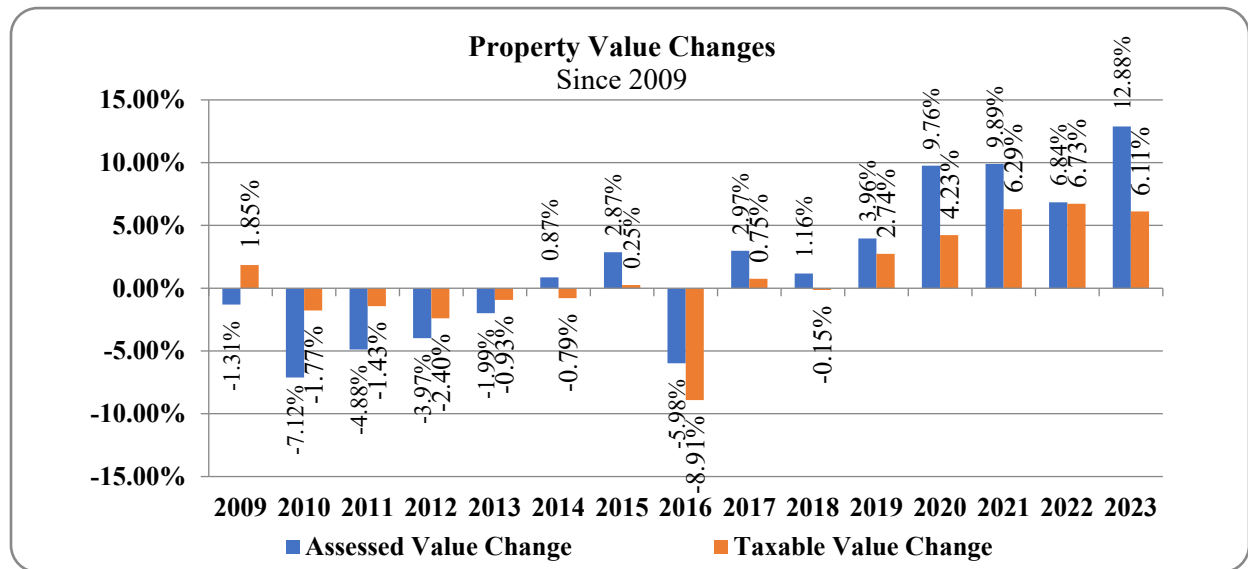
Employment/Cost-of-Living Adjustments (COLA)

The City is primarily a service organization. As such, costs of personnel will be the most significant cost in each year's budget. For FY2024, employee-related costs including wages and benefits total \$8.3 million, or 35% of overall proposed spending.

The proposed budget funds 73 full-time employees. Included is a proposed 4% COLA for all non-union staff. The proposed budget also includes a 3% to 4% COLA for all union employees in accordance with their respective collective bargaining agreements. In addition, due to recent inflation spikes (CPI rose 5.4% annually as of June 30, 2021 and 9.1% as of June 30, 2022 and has been above 5% every month since May 2022), it is being proposed to give each full-time employee a one-time payment of 1.5% of their annual salary payable on the first payroll of the fiscal year. This will help full-time employees offset a portion of the impact of inflation.

Current Tax Roll Projections

The total value of taxable property within the City once again increased. It is expected that the 2023 tax roll will increase approximately 6% compared to the 2022 roll. A summary of tax roll changes since 2009 is presented below:



Tax Revenue History:

Millage	Fiscal Year Ending June 30,				
	2020	2021	2022	2023	2024
City Operating	13.9166	13.7774	13.6630	13.4922	13.4922
Police and Fire Retirement	2.6000	2.6000	2.6000	2.6000	2.6000
Total City Millage Rate	16.5166	16.3774	16.2630	16.0922	16.0922
TAX BASE (Taxable Value of City Property) <i>FY24 Projected</i>	\$229,304,412	\$238,992,545	\$254,024,937	\$270,904,206	\$285,000,000
Taxes Generated (Total)	\$3,794,369	\$3,954,681	\$4,131,208	\$4,359,445	\$4,586,277
Change from Prior Year	\$101,206	\$160,312	\$176,527	\$228,237	\$226,832

Headlee Rollback

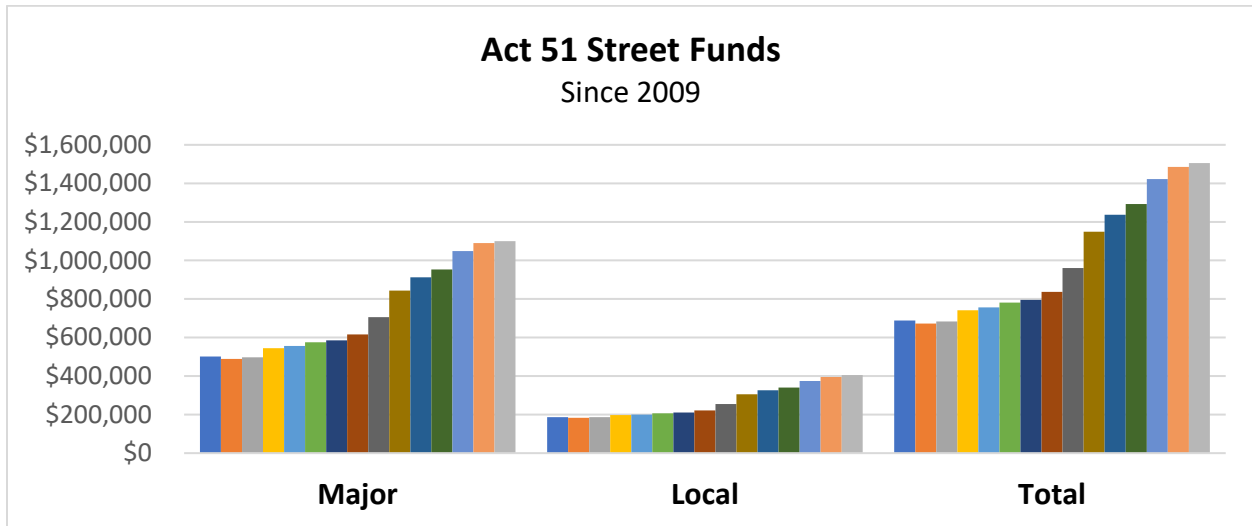
2023 will be the fifth consecutive year of overall taxable value growth, however total tax revenues have been restricted by the impacts of the Headlee Amendment. No Headlee rollback is anticipated for the current; however, rollback has impacted 4 of past 6 tax rolls, lowering total authorized millage from 13.9473 to 13.4922 (0.45 mill reduction). The police and fire retirement millage is proposed to remain at 2.6 mills.

State Shared Revenue

The State of Michigan provides regular updates of projections for state shared revenue for the upcoming fiscal years. Recent projections released in March 2023 show revenues for FY2024 of approximately \$1,125,000 for the constitutional portion, and \$225,000 for the statutory portion.

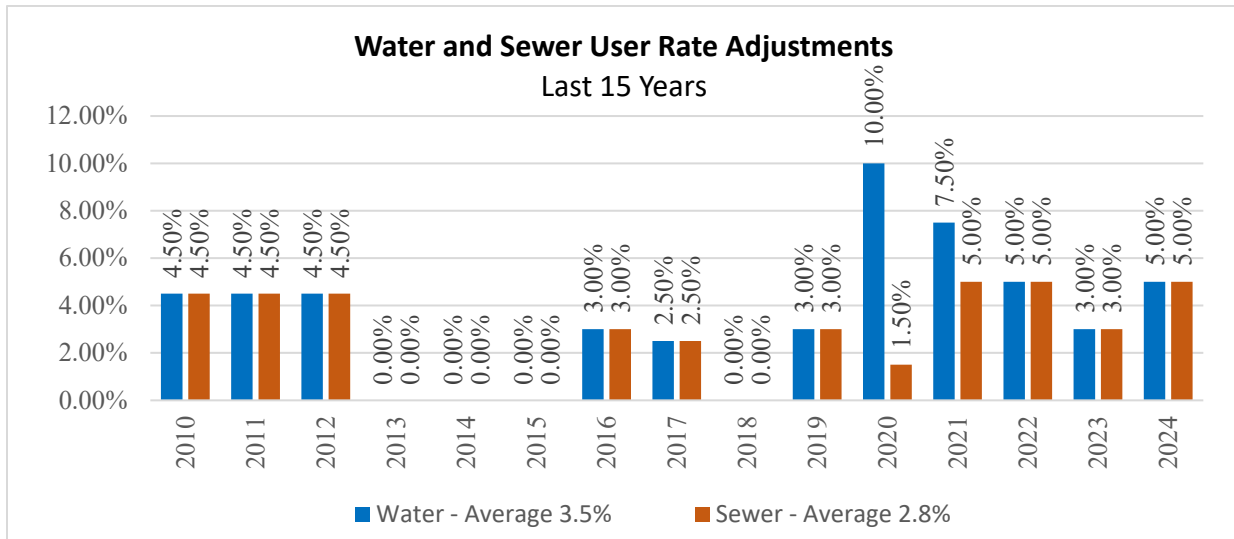
Michigan Transportation Funds (Act 51)

The chart below shows the revenue received over the last 15 years from the State of Michigan pursuant to Act 51. These revenues – primarily generated from gas taxes and vehicle registration fees – have experienced solid growth in recent years, primarily due to legislative increases in the underlying fees. The total expected revenue projected by the State is \$1,560,000 and the City’s budget includes projected revenues in the Major Street Fund (\$1,140,000) and the Local Street Fund (\$420,000).



Water and Sewer User Charges

A comprehensive rate study is in process and will provide data and information regarding the overall rate structure and the need for future rate adjustments in order to provide adequate funding for operations and capital investment. The current recommendation is to increase both water and sewer rates by 5%. A history of rate increases for the last 15 years is presented below:



With the current recommended increase included, rate increases for the last 15 years have averaged 3.5% for water and 2.8% for sewer. The City's rates continue to compare favorably in the region based on an independent rate survey. According to the 2021 version of the survey by Gosling Czubak Engineering Sciences, Inc., the typical monthly water bill was \$32.05, and the typical monthly sewer bill was \$41.70 for a total of \$73.75 per month. By contrast, the typical monthly water bill in Cadillac is just \$17.59, and the typical monthly sewer bill in Cadillac is \$27.13 per month for a total of \$44.72 which is \$29.03 – or 39% - below the typical bill reported in the study. Cadillac's typical bill was **6th lowest** out of 47 water system respondents to the survey, and **11th lowest** out of 48 sewer system respondents. In the prior survey, Cadillac was 10th lowest and 11th lowest, respectively.

If the 5% increase is approved, the total monthly water and sewer bill for the average residential customer will increase by approximately \$2.64 per month, or \$31.68 per year.

Other Budgetary Highlights:

- General Fund is now paying \$100,000 for parking maintenance after the parking special assessment was not renewed. This is up from a \$15,000 contribution that the General Fund made towards parking maintenance in the current year.
- Budget includes a transfer of \$50,000 from the General Fund to the Lake Treatment Fund for treatment costs during the year. This is up from \$30,000 in prior budget.
- Budget proposes a transfer of \$33,000 to pay for major maintenance and repair projects at the Cadillac Community Center. This has been done before to pay for other major repairs, like the boiler replacement two years ago.
- General Fund reserves remain higher than policy levels, even with transfer recommended in FY2023 of \$1.5 million to fund street maintenance.

Next Steps

- Budget is available at the Cadillac Municipal Complex, as well as online on the City's website. Public comment and input invited.
- Budget Public Hearing on April 17, 2023.
- Introduce General Appropriations Act ordinance on May 1, 2023.
- Consider adoption of General Appropriations Act ordinance on May 15, 2023.
- Budget takes effect July 1, 2023.