



City of CHARLOTTE

MEMORANDUM

TO: Mayor Ridge and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: City Manager Report

DATE: November 22, 2019

Municipal Finances. Elsewhere in the agenda packet you will find a copy of an analysis of City of Charlotte general fund revenues, adjusted for inflation, for the period from 2002 to 2017. This information was prepared by the Michigan Municipal League for most of its member cities and is based on reports filed by each municipality with the Department of Treasury. The picture that this presents is consistent with information we have been providing to Council since last spring in terms of the challenges we have been facing due to revenues not keeping up with our costs. The greatest impact is in the area of state shared revenues which saw significant cuts during the early years of the 2000s and have remained largely stagnant since. Not only has this resulted in an overall decline in available revenues, it has also caused a shift from a more balanced revenue stream to one more heavily dependent on property taxes. The consequences of this were particularly apparent in 2008-09 when property values declined so precipitously. This information provides support for future discussions about the need for additional revenues to address challenges such as infrastructure investments and employee pension legacy costs.

Pension and OPEB Corrective Action Plans. In late October, City Council approved an outline of corrective action plans to address unfunded liabilities totaling \$12 million for its pension and retiree health insurance plans. I have now filed those corrective action plans with the Department of Treasury. I believe I have made a good case for the corrective action plan related to retiree health insurance. This plan was closed to new entrants in 2010, benefits only a dozen retirees, and has a modest annual cost. I included an analysis showing that the establishment of the Council-approved \$200,000 trust would enable us to achieve the minimum 40% funding level within ten years and that the last beneficiary of the benefit would have reached the average age of mortality by 2047. I am less confident about acceptance of the corrective action plan for the pension benefit. We have not yet addressed the challenge of funding the projected increase in the actuarially determined annual required contribution which will more than double over the next 20 years. I expect to have further conversation with Treasury as we work together to determine what funding proposals to place in front of voters.

Holiday Closings. All City offices will be closed Thursday and Friday for the Thanksgiving holidays. Members of the public who might need emergency assistance from the Department of Public Works during days and hours when offices are closed can call 543-8874. This number is found on the directory of offices listed on the “Contact Us” menu on the City’s website. Members of the public will occasionally post requests for emergency services on the City’s Facebook page. If you happen to see this, let me know so that we can provide the appropriate response.