

CITY OF FLUSHING

MEMORANDUM

Date: April 11, 2021

To: Mayor Karlichek and Flushing City Council Members

From: Clarence E. Goodlein, City Manager

Subject: **Proposed FY 2022/2023 Operating Budget and Capital Improvement Plan**

This memorandum is intended as my transmittal of the proposed FY2022/2023 Operating Budget and Capital Improvement Plan for the City of Flushing. This proposed budget has been prepared in accordance with Article VII of the Charter of the City of Flushing and satisfies the Charter requirements as it is presented to you. Please familiarize yourselves with the budget in preparation for our future discussions that will culminate in a Public Hearing and adoption of the FY2022/2023 Operating Budget and Capital Improvement Program on May 09, 2022.

This budget is the product of a collaborative effort and considerable work by each Department Head, the Assistant City Manager/City Clerk, and the City Treasurer. It demonstrates their commitment to continuing the City's history of providing excellent service and leveraging revenue and expenses to provide the greatest benefit to City residents and businesses.

City Administration looks forward to its discussions with City Council concerning the proposed budget and collaborating to create a FY 2022/2023 City budget that provides the greatest benefit to the City's residents, businesses, and visitors.

Fiscal Year 2022/2023 Budget Highlights

- ❖ The budgeted General Fund Revenue is expected to be 10.3161 mills after an anticipated Headlee Rollback and the Capital Improvement Revenue is expected to be 2.0000 mills.
- ❖ The taxable value of the City's real and personal property was \$219,130,371 and this was noted to be a 5.3% increase from the FY2021/2022.
- ❖ Payments of statutory state-shared revenue are expected to be consistent with revenue received in FY2021/2022.
- ❖ A combined increase of 5.51% in the water and sewer ready-to-serve and commodity rates is expected and consistent with the five-year rate schedule approved by City Council on February 08, 2021.

- ❖ The average funded ratio of retiree pensions across all work units is approximately 54.5% and the funded ratio of other post-employment benefits (OPEB) across all work units is approximately 42.5%. The increase in the average funded ratio of retiree pensions across all work units is due to additional City funding, improved investment returns, and actuarial adjustments. The significant increase in the funded ratio of other post-employment benefits (OPEB) across all work units is due to improved investment returns, actuarial adjustments, and adjustment as well as reassignment of OPEB benefit plans.
- ❖ The operating budget includes a proposal to partner with Flushing Community Schools to reinstitute a School Resource Office (SRO) program that will assign a Flushing Police Officer to City schools each school day. Since funding by Flushing Community Schools would provide for approximately 70% of the expense, the expense of a replacement Police Officer would be approximately \$25,835.
- ❖ To mitigate the harmful outcomes that could occur from delayed emergency medical service (EMS) units' response times, the purchase of Automated External Defibrillators (AEDs) is proposed with the expected expense of approximately \$12,000 to be offset with funding from local and regional grants.
- ❖ Funding from the Michigan Department of Transportation as well as from the City will provide for the repaving of East Main Street from the Flint River bridge to McKinley and Cherry Street from East Main Street to Elm Street.
- ❖ Funding from the Genesee County Community Block Grant (CDBG) and the City will provide for the installation of audible pedestrian signals at Cherry and East Main streets and at Maple and East Main streets.
- ❖ City funding will provide for the replacement of traffic signals at Flushing and Pierson roads and downtown on Main Street with L.E.D. lighting that will improve these lights visibility and reduce their energy, maintenance, and repair costs.
- ❖ Funding of \$824,788 from the American Rescue Plan Act (ARPA) will provide for the renovation of the Birchwood Lift Station that was built and commissioned in 1972.

American Rescue Plan Act of 2021 (ARPA)

As a result of the passage of the American Rescue Plan of 2021 (ARPA), \$1.9 trillion of federal funding was allocated states and local-units-of-government for vaccines and COVID-19 testing, K-12 schools, higher education, transportation, childcare, rental and mortgage assistance, and capital improvement projects that address water, wastewater, and broadband communication needs. As a result of this legislation, Michigan was awarded approximately \$10.3 billion that was apportioned among counties, cities, villages, and townships; the State of Michigan; and multijurisdictional capital improvement projects¹.

As you will recall, the City of Flushing has been awarded \$824,788. The City has received approximately 50% of that amount and it is expected that the remainder will be received before July 01, 2022. While these funds have not been allocated to any expense by City Council yet, City Administration recommends that City Council consider allocating these funds for the refurbishment of the City's Wastewater Treatment Plant's Birchwood Lift Station. The projected expense for these improvements is \$725,000 - \$800,000. If approved by City Council, then the renovation would replace sewage pumps that were installed between 1971 and 1973 and refurbish the station's wet-well that is in a state of deterioration. The plan would provide the station with its own standby electrical generator and improve electrical circuitry that no longer complies with current standards. Overall, the completion of the project would provide for greater efficiency, decrease maintenance costs, and reduce the risk of sewage flows being delayed and/or diverted in violation of guidelines promulgated by the Michigan Department of Environment, Great Lakes, and Energy (MEGLE). This station was selected for renovation not only because its infrastructure was deteriorating and increasingly unreliable, but also because this sewage pumping station services areas of the City with cross connections between the its storm water and wastewater systems. As you know, cross connections between storm water and wastewater systems increase the risk of delayed sewage flows that could result in sewage backups into buildings during severe rainstorms or extended periods of heavy rain. It is believed that this improvement will mitigate this risk and lessen the likelihood of sewage related mishaps that could occur during adverse weather events that include rain.

Should City Council approve the allocation of ARPA funds for this purpose, then it is recommended that funds not expensed for this project be allocated to other wastewater or water infrastructure needs. Both water and wastewater system improvements² qualify for the expense of these funds, and it is believed that the allocation of these funds for these purposes would be in the best interest of the City.

The use of ARPA funds for these purposes will enable the City to allocate funding from future wastewater capital improvement budgets to other sanitary sewer and wastewater treatment plant needs.

¹ Cities, villages, and townships received approximately \$4.4 billion; the State of Michigan received approximately \$5.6 billion; multijurisdictional capital improvement projects received approximately \$250 million.

² Potential candidates for this allocation would include work to line and/or televise additional sewer mains or perform additional sanitary manhole inspections and improvements.

Water & Sewer Rates: 2022 – 2023

To ensure that user and ready-to-serve fees appropriately address current water and waste-water services as well as the maintenance and improvements to the infrastructures of these systems in accordance with current and future state and federal regulations, the City collaborated with Utility Financial Solutions of Grand Haven, Michigan in 2021 to determine a water and waste-water rate schedule that would provide sufficient revenue for these purposes. The City selected these analysts because of their expertise and understanding of:

- The expected future trends of water and sewer rates as well as regulations governing the delivery of water and wastewater treatment and discharge,
- The interplay of current and future water and sewer rates upon water and sewer systems' fund balances and their ability to support the maintenance and improvement of water and sewer systems' infrastructures as required by law,
- Water and sewer rates' abilities to address unexpected infrastructure failures as well as known infrastructure deficiencies,
- Strategic plans that can be developed and that can provide effective present and future funding of these utilities, and
- Rate designs and strategies that establish rates which fairly address current needs and that do not delay infrastructure improvements to unfairly burden future residents with the costs and improvements avoided by past generations.

Subsequently and with consideration of matters such as operational expenses, capital improvement plans, cash reserves and fund balances, annual debt service, and cash to debt ratios, the five-year rate schedule of water and wastewater fees (as shown in Table I, Page 2) were developed and approved by City Council on February 08, 2021. This schedule of water and wastewater fees includes a water commodity rate increase that was authorized by City Council for FY 2020/2021, but not implemented.

For the FY 2022/2023, water ready-to-serve and commodity revenues are expected to increase by 2.54% and sewer fee ready-to-serve and commodity revenues are expected to increase by 10.59%. These occurrences cause an expected increase of 5.51% in the combined water and sewer ready-to-serve and commodity rate. The increase of these water and sewer commodity fees are consistent with both the recent and anticipated water commodity increases from the Genesee County Drain

Commission's Water Division as well as recent and anticipated additional costs related to compliance with rules and regulations of the Michigan Department of Environment, Great Lakes, and Energy (MIEGLE). The revenue from increases of the water and wastewater ready-to-serve fees will provide the basis for continued repair and maintenance of the City's water, wastewater, and storm water infrastructures.

Table I – City of Flushing, Michigan - Water & Sewer Rate Schedule 2021 - 2022
Approved By City Council February 08, 2021

	<u>Current</u>	<u>2020 Correction</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Ready To Use - Water - .75" Meter	\$63.00		\$66.00	\$69.00	\$72.00	\$75.00	\$78.00
Ready To Use - Water - 1.0" Meter	\$63.00		\$66.00	\$69.00	\$72.00	\$75.00	\$78.00
Ready To Use - Water - 1.5" Meter	\$63.00		\$70.00	\$80.00	\$93.00	\$109.00	\$128.00
Ready To Use - Water - 2.0" Meter	\$63.00		\$70.00	\$80.00	\$93.00	\$109.00	\$128.00
Ready To Use - Water - 3.0" Meter	\$63.00		\$75.00	\$90.00	\$108.00	\$129.00	\$153.00
Ready To Use - Water - 4.0" Meter	\$63.00		\$80.00	\$102.00	\$132.00	\$167.00	\$207.00
Water/1000 gallons	\$7.82	\$7.90	\$8.30	\$8.70	\$9.15	\$9.60	\$10.10
Water Used During Construction	\$218.89		\$229.62	\$240.87	\$252.67	\$265.05	\$278.04
Sewer Only - City	\$131.77		\$140.34	\$149.46	\$159.17	\$169.52	\$180.54
Sewer Only - Township	\$131.77		\$140.34	\$149.46	\$159.17	\$169.52	\$180.54
Sewer/1000 gallons	\$5.05		\$5.15	\$5.25	\$5.40	\$5.60	\$5.80
Ready To Use - Sewer - .75" Meter	\$35.00		\$40.00	\$45.00	\$50.00	\$55.00	\$60.00
Ready To Use - Sewer - 1.0" Meter	\$35.00		\$40.00	\$45.00	\$50.00	\$55.00	\$60.00
Ready To Use - Sewer - 1.5" Meter	\$53.00		\$65.00	\$80.00	\$98.00	\$119.00	\$142.00
Ready To Use - Sewer - 2.0" Meter	\$70.00		\$87.00	\$107.00	\$130.00	\$155.00	\$183.00
Ready To Use - Sewer - 3.0" Meter	\$105.00		\$130.00	\$160.00	\$195.00	\$235.00	\$280.00
Ready To Use - Sewer - 4.0" Meter	\$140.00		\$170.00	\$205.00	\$245.00	\$290.00	\$340.00