



CITY MANAGER L. DENNIS WHITT'S BUDGET MESSAGE



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Fiscal Year 2023 Budget Message

Honorable Mayor, City Council Members, and Residents of Walled Lake:

It is my pleasure to submit the proposed Fiscal Year 2023 Budget. This budget document represents the dedicated efforts of the Mayor and Council Members, working with the City Manager's Office, Department Heads, and City staff, as well as the several boards and commissions. The Mayor and Council have supported the City Manager in maintaining a small but highly skilled staff. It is this reduced staffing structure that has enabled the City to build reserves for capital and infrastructure requirements.

During the Fiscal Year 2023 budget workshops, which were open to the public, Council reviewed the financial status of all funds and the infrastructure and capital plans proposed for Fiscal Year 2023. After these workshops, Council continued to make strides in repairing the city's infrastructure and approved the resolution to apply for the transportation economic development fund category B program to resurface E. Walled Lake Drive.

All projects advanced by Council will be funded using reserves – not external financing.

Total revenues managed by the City are estimated at \$12,165,000. Fiscal Year 2023 appropriations requested include \$11,750,000 in operating expenditures of which, \$1,420,201 has been appropriated to capital expenditures, continuing the Council's investment in improving the City's infrastructure.

Long-Term Strategic Goals and Strategies

My goal as City Manager and the goal of this budget is to address the real needs of our community both now and in the future. As I have done during my tenure as City Manager, this means I keep a watchful eye on the long-term financial health of the city.

Fund Balance: One of the best indicators of my performance as your City Manager is the financial health of our city. The city was near financial collapse and facing an Emergency Manager takeover by the State of Michigan when I was appointed in May 2010. As the City's Budget Officer, I have reduced operating costs and provided a solid fund balance reserve which enabled Council to advance multiple long-term capital and infrastructure projects without incurring external financing costs. Saving money and responsibly using those saved dollars is one key to local government success.

Debt: During my term of office as City Manager, zero new debt has been issued. Under this administration, all capital expenditures have been accomplished with a strategic use of reserves and one-time revenues. This administrative policy will continue as long as possible.

Staff Investments: As City Manager I hold several offices and positions that were previously occupied by separate highly paid city officials. This multiple office holding saved hundreds of thousands of dollars and was part of the strategy to reestablish the city's financial stability. City staffing numbers were reduced from 2010 levels by appointing the City Manager and divisional managers to hold multiple positions. Hiring part-time, seasonal, and interns to supplement the workload has contributed to the success of that strategy and resulted annual savings in benefit costs. Notwithstanding the cutbacks in personnel, the staff is steadfastly upholding the expected resident service needs. My administrative team and I bring highly sought-after educational credentials and extensive experience to the task of prudently managing Walled Lake's finances and citizen services.

Operating Costs: This small, highly educated, and experienced administrative team has saved millions of dollars for Council to invest in debt reduction and infrastructure investment by significantly reducing operational costs. Finance professionals would take note here again, as a percentage of expenditures, operational costs are the lowest they have been in recent history.

Grant Funds: As your City Manager I have assembled a professional administrative team that has obtained grant funding to help finance the city's needed capital investments. It is well known that grants are not easily secured, yet the city's professionals have been successful, having been awarded grants that we use to leverage taxpayer funds.

Capital and Infrastructure Investments: Walled Lake is a mature city with aging infrastructure and equipment. Long-term planning for capital investments is vital in ensuring financial stability. As noted above Council approved to provide funding half for the resurfacing of E. Walled Lake Drive along the Downtown Development Authority (DDA) obligating the other half of the matching costs.

We have provided for many important needs, but there are many more to address. Thoughtful evaluation each budget year is key to successfully funding the necessary expenditures, as to not squander our reserves. My goal is to be pragmatic and invest using one-time revenues for one-time expenditures, seek out grant funding, combine projects for lower costs, and use fund balance reserves when needed; all to avoid taking on additional debt.

Budget Challenges

COVID-19

The world is still working through its challenges with the COVID-19 pandemic aftermath. The infectious disease has brought ambiguity to our economy. As for the city and its budget, questions have been raised regarding the influence on inflation, which ultimately impacts the cost of the public services we provide our residents. There has been a slight decrease in state revenue sharing and the federal grant money did not completely offset that. Depending on the results of real and anticipated future revenues; decisions to reduce budgeted expenditures through formal resolutions may occur throughout the year.

Pension and OPEB Liability

An estimated \$1,074,000 in expenditures has been allocated for pension and retiree health care costs. Given that General Fund revenues amount to \$6,035,000, a full 17.8% of our annual general fund revenues is eaten up by these legacy obligations and present a challenge to operating the city.

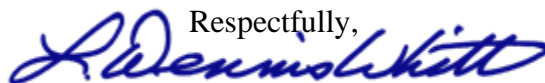
Over the past 10 years, employee costs have been contained through significant benefit reductions such as - restricting pension benefits to base wages, bridging down divisions, lowering multipliers for new hires, and closing divisions with greater benefits.

However, Council is only able to reduce pension benefits for future years and is not able to reduce previously promised pension benefits. The cost of these legacy pension commitments continues to rise due to a reduced rate of return on the \$5,761,833 committed to the City's frozen Defined Benefit Pension Plan, as well as an increase in the life expectancy of retirees.

As of audited fiscal year-end 2021, our outstanding pension liability is \$11,116,428 and our Other Post Employee Benefits (OPEB) liability for retiree health care is \$1,594,552.

Closing Thoughts

The budget process is a critical and foundational backdrop to the services provided by the city. With good financial information Council can set strategic goals for the effective use of taxpayer funds. A great deal of thought and consideration by staff is put into providing Council with an accurate assessment of the financial status of the City. The goal of each budget is to determine the best use of taxpayer dollars, considering both the current and future needs of our citizens.

Respectfully,


L. Dennis Whitt
City Manager