

# CITY MANAGER L. DENNIS WHITT'S BUDGET MESSAGE



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## **Fiscal Year 2021 Budget Message**

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

It is my pleasure to submit the proposed Fiscal Year 2021 Budget. This budget document represents the dedicated efforts of the Mayor and a stalwart majority of City 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 majority resisted the indifference of the minority Council Member and have supported the police and fire departments by developing a strategy of investing in public safety, public services, infrastructure, and various community improvement projects, all in a fiscally responsible way, which will serve our citizens favorably today and into the future.

### **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 for over ten years 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 considering the city was near financial collapse and facing an Emergency Manager takeover by the State of Michigan when I was appointed ten years ago. The city's finances can be properly gaged by looking at fiscal year 2019's audited governmental fund balance of \$2,619,046 and component fund balance of \$2,159,577. The combined \$4.8 million is a healthy fund reserve that will allow future capital improvements without the use of operating revenues or incurring additional debt. When focusing on the General Fund, one can see it has a 27.2% unassigned fund balance as a percentage of operating expenses. Municipal finance professionals would take note that is 10.5% higher than the Government Finance Officers Association's (GFOA) minimum recommendation and 14.2% higher than the State of Michigan's minimum. I have

delivered as the City's Budget Officer and provided a solid reserve balance which will help guide decision making of the Mayor and Council majority for the future. As I have shown in the past ten years, that strategically planning capital projects with the responsible use of saved dollars is the key to local government success.

**Debt:** During my ten-year 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, so as to eliminate incurring any debt. This administration policy will continue if possible, conversely it is recognized that it may not always be plausible.

**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 has saved hundreds of thousands of dollars and was part of the strategy to reestablish the city's financial stability. City staffing numbers have been reduced from where it was in 2010 by requiring me as 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 has resulted in staff benefits having been reduced, both in pension costs and retiree health care debt. Notwithstanding the cutbacks in personnel, the staff is steadfastly upholding the expected competency requirements. 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 but 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.

**Use of 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 significant monies. The following are the recent grants secured by our team:

- Oakland County Federal Aid Grant for +\$1M to rehabilitate Decker Road
- Southeast Michigan Council of (SEMCOG) Grant for \$127,000 and a Michigan DNR Land and Conservation Water Fund Grant (LWCF) for \$63,700, both to be used on the Downtown Storm Sewer & Beautification / Mercer Beach Project
- Oakland County Local Road Grant Program for \$17,000 for improvement to an area of downtown local roads
- Community Development Block Grant (CDBG) funds have been a valuable asset for our citizens, with the recent reprogramming of monies being allocated for firefighter turnout gear in the amount of \$22,800, as well as \$40,862 combined for 2019 and 2020 to be used for assistance in mobile home repair in our Fawn Lake Estates neighborhood

**Wisely plan for capital investments:** With the city's aging infrastructure and equipment (from water and sewer mains, stormwater pipes, roads and sidewalks, to public safety and DPW apparatus) wisely planning for capital investments is vital in ensuring financial stability. 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 Priorities**

As part of the city's long-range objectives, City Council received status reports and initial estimates on projects under the following six (6) priorities and is working on financing options for the same.

1. Water Infrastructure Condition, Repair and Maintenance

To help fund the aging water system, in April of 2018, Council passed an increase to the water capital line fee billed to our water customers and dedicated this revenue to water infrastructure capital repairs and further approved these monies to be separated into a specific fund. Four neighborhoods have been identified as the most crucial to be addressed, with the Tri-A Subdivision being vital. With Council's direction, the watermain system was replaced in the subdivision last summer, and when reserves are again available, the next critical area will be addressed.

2. Road Condition, Repair and Maintenance

Decker Road, the gateway to our downtown, will be rehabilitated with the help of the \$1M Oakland County Federal Assistance Grant the city was awarded in 2019. The Downtown Development Authority (DDA) has committed the required matching amount of about \$273,000. Currently, the anticipated funding date is 2022, although the city will be prepared to move this forward if monies become available sooner.

3. Storm-water Condition, Repair and Maintenance

The downtown storm water piping has been identified as 'critical' condition. Council ordered up engineering design reports and the project was put out for bid. With the costs being higher than anticipated, Council voted against the bids and administration is currently looking at ways to reduce the expenditures. There is \$190,700 in grant monies that has been awarded for this project, therefore it is essential the city takes action so not to miss out of this available funding.

4. Sewer System Condition, Repair and Maintenance

Most of the critical sewer system areas were corrected in 2016 and an ongoing maintenance plan was developed. Over the next five to ten years a number of sewer pipes will be lined, and pump stations will receive upgrades, eliminating antiquated technology.

5. Major Public Safety and Public Works Equipment

One of the major equipment investments needed is a new fire apparatus at an expense of roughly \$700,000. The city has successfully halted the over-borrowing errors of previous administrations since borrowing greatly increases the costs and simply pushes the expense to subsequent generations of taxpayers. With this in mind, grants have been submitted, with no success. The administration continues to look for other grants, as well as is seeking out financing alternatives.

## 6. City Park Improvements

The city recently updated its Parks and Recreation master plan and has committed funds to updating some of the amenities. As mentioned above, a state grant was awarded, and the funds will be used on Mercer Beach as part of the downtown stormwater and beautification project.

The acquisition of the new Trailway linking Commerce, Walled Lake and Wixom is a welcome addition to the parks list. The trailway has been paved and recently opened for the public to enjoy. With the Depot Station at Pontiac Trail being demolished, the city is looking to establish a new trailhead location by installing a pedestrian bridge connecting the trail and the public safety property, just west of the city campus. Future plans include a paved parking lot, a pavilion, public safety and veteran's memorial, along with training facilities for our public safety departments. The long-term goal is allowing this property to be a multi-use area for those who use the trail, come to the farmer's market, and possibly a place to hold concerts in the park. The additional parking will help during events such as the annual Memorial Day parade and the tree lighting ceremony, as well as provide ample spaces for voters during elections.

## **Budget Challenges**

### **COVID-19**

After the preparation of the ensuing year's budget, the world was sadly afflicted with the COVID-19 pandemic, bringing uncertainty to citizens' health and wellbeing. The infectious disease has also brought ambiguity to our economy. As for the city and its budget, questions have been raised regarding the influence on revenues, which ultimately impacts public services we provide our residents. With the full effect currently unknown, the proposed budget for fiscal year 2021 has not been significantly adjusted for the potential revenue loss due to the pandemic. It is understood that close monitoring and altering of expenditure plans during the year will be necessary; however, since this has always been the expectation and responsibility of my administration, no new policies or procedures are warranted. Depending on the results of real and anticipated future revenues, decisions to reduce budgeted expenditures through formal resolutions may occur throughout the year.

### **Infrastructure Needs**

- Downtown stormwater and Mercer Beach improvements
- Sidewalks along E. Walled Lake Drive and Decker Road

- Watermain replacements, most notably in three neighborhoods
- Roads rehabilitation, specifically Decker Road
- Public Safety Memorial and Trailhead development

### **Capital Needs**

- Fire Apparatus: Pumper/Engine to replace current 21-year-old engine

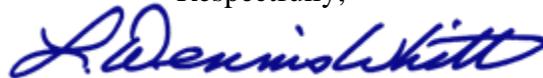
### **Pension and OPEB Liability Reduction**

As of audited fiscal year-end 2019, our outstanding pension liability is funded at 29.8% and our Other Post Employee Benefits (OPEB) is at zero percent. My administration supported by the Mayor and a Council majority has taken significant corrective actions toward reducing the unfunded portion of the defined benefit by Council restricting base wages only reporting, bridging down divisions, lowering multipliers for new hires, and closing divisions with greater benefits. However, with a reduction in the rate of return on investments, as well as a change in the mortality tables, significant progress has not yet come to fruition. In addition to these past actions, in February, Council voted to make more changes to address this legacy issue. OPEB, or the retiree healthcare benefit, has been funded through the general fund the last few years at approximately \$76,000 annually. Based on current circumstance a thorough corrective action plan has been developed and will be presented to Council.

### **Closing Thoughts**

The budget process is a critical and foundational component for the services the city provides. A great deal of thought and consideration has been put forth in developing this presented budget for fiscal year 2021 and beyond. As I stated in my opening remarks, the goal of each budget is to develop it in a fiscally responsible way, which will serve our citizens favorably today and into the future.

Respectfully,



L. Dennis Whitt  
City Manager