

City Council Regular Meeting
Madison Heights, Michigan
December 02, 2024

A City Council Regular Meeting was held on Monday, December 02, 2024, at 6:00 PM at Fire Station #1 located at 31313 Brush Street, Madison Heights, Michigan, 48071.

PRESENT

Mayor Roslyn Grafstein
Mayor Pro Tem Mark Bliss
Councilman Sean Fleming
Councilman William Mier
Councilor Emily Rohrbach
Councilman David Soltis
Councilor Quinn Wright

OTHERS PRESENT

City Manager Melissa Marsh
Assistant City Attorney Tim Burns
Deputy City Manager/City Clerk Cheryl Rottmann
CED Director Giles Tucker
DPS Director Sean Ballantine
Executive Assistant to the City Manager Harley Mordarski
Finance Director Linda Kunath
Fire Chief Greg Lelito
IT Consultant Ty Dolin
IT Consultant Colin Wynn
Library Director Vanessa Verdun-Morris
Police Chief Brent LeMerise
Special Projects/Grant Administrator Adam Owczarzak

MEETING OPEN TO THE PUBLIC:

There were no members of the public wishing to speak.

2026-28 Strategic Planning

City Manager Marsh welcomed the Council to tonight's Strategic Planning session, commenting that cities don't end up well-capitalized, with strong balance sheets and healthy cash flows by chance. Our financial health is a direct result of these financial processes, which gives us a chance to proactively plan ahead in the event of a crisis. We have been doing financially well, but Headlee Proposal A and inflation took its toll on us, and we need to start thinking about how we are going to continue to maintain and improve our community in future years. This financial forecast for Madison Heights provides a comprehensive analysis of projected revenues and expenditures from the current fiscal year through 2030. As a foundational tool for our annual budget process, this

forecast enables proactive identification and management of fiscal trends and challenges, ensuring the City's long-term sustainability. The forecast represents a financial estimate based on the best available data at this time.

Financial Forecast

City Manager Marsh gave an overview of the City's financial forecast. She stated that the City watches several financial indicators, including housing sales, building permits, taxable value estimates, County budget proposals and estimates, and mortgage interest rates. This year we have relied on the Michigan Economic Outlook from the University of Michigan released November 22, 2024. Highlights of this report focus on Michigan's economic deceleration at the end of the Calendar year 2024, with moderate job growth expected in 2025 and 2026. Inflation stabilization around 2.1% - 3.0% over the next two calendar years. Inflation impacts both our taxable value growth and operational costs. Our taxable value is capped at 3.1% for FY 2026, with growth above that amount resulting in further millage rollback. Based on this economic outlook, we anticipate future taxable value growth to be slightly above 2.1%

At last week's audit presentation, City Manager Marsh stated that we heard that FY 2024 ended with an increase in fund balance to \$15.8 million, mostly related to carryforward or "phase funding" for one-time capital expenditures. As an example, the bandshell money was received in October 2023 but not spent until August 2024, when \$250,000 was carried forward. If all these projects were to be completed, we anticipate a planned use of fund balance in FY 2025 of \$4.4 million, leaving \$11.4 million at the end of June 30, 2025. We do have a Fund Balance policy in place requiring 16% of operating expenditures plus one year of debt payments to be held in reserve.

City Manager Marsh continued by stating General Fund revenues for FY 2026 are projected to be down slightly from the past two fiscal years due to a forecasted decline in state and federal grant funding. Taxable Value, our largest revenue source, is forecasted to increase by 3.1% for the real property before dropping to 2.3% for future years'; personnel property taxable value is forecasted to increase by 2%. As explained in past years, we anticipated the full levy of Proposal MH in FY 2028; however, it appears we will fully levy this millage in FY 2026 or 2027 at the latest due to expenditure inflation exceeding our revenue inflation that was capped at 5% for the past two years.

City Manager Marsh stated that the restrictions on taxable value growth remain our number one challenge as the combination of Proposal A and Headlee Amendment. These mechanisms limit taxable value growth to the lesser of 5 percent or the state-approved inflation rate without any cap on declines. Unless the State reforms its restrictions on municipal revenue growth, the City will continue to face difficulty keeping pace with increasing costs – particularly given that inflation over the past two years has averaged between 5.5% and 8%. In years when the City's growth exceeds the State's inflation rate, the millage is rolled back. As a result, the City's 16-mill charter millage has been reduced to a maximum of 13.95 mills in FY 2025, not including any further rollback that may occur in the upcoming budget.

City Manager Marsh noted that things are subject to change as we enter the budget process, but currently, we anticipate needing to balance the FY 2026 budget with a small use of fund balance for one-time expenditures and deferring over \$1 million of CIP items that are included in the upcoming CIP report you will be receiving later this month. We have been playing catch up on our

capital replacement and maintenance and have been funding everything in the plan, but this may not be fiscally possible going forward – a sign we need to start thinking about options as many of these CIP items are maintenance or replacement vehicles and equipment.

As projected by the State, City Manager Marsh noted that State Shared Revenues are forecast for only a slight increase for FY 2026 of 2% and 1.4% after that. We are still waiting for the State to approve a Revenues Sharing Trust fund to protect this revenue source. If this happens, it could change the forecast for future years, making State revenue-sharing funding sources more stable. City Manager Marsh commented that she includes this history because it is important to understand why we face some of the financial pressures that you have heard about over and over – in 2003, we received \$3.55 million in state shared revenues; in 2025, we will receive \$3.73 only \$180,000 more than 22 years earlier.

Ms. Marsh stated that full-time staffing is assumed to decline by three positions as we remove the basic EMT full-time positions included in the budget. We could not reach an agreement with the Union to implement this program at this time. We forecast that staffing it will remain at or near the same level for the period covered by the financial forecast. As you will see at the end of this presentation, we have received requests from departments to increase staffing levels, especially when it relates to programming – including AAC and DPS equipment operators. However, given the financial forecast, we are not planning to add reoccurring expenditures in terms of full-time positions in the upcoming year.

Expenditures related to negotiated salaries are included in the forecast only through the next fiscal year, as all City's Union contracts expire on June 30, 2026. For estimating purposes, the forecast assumes the status quo with both wages and benefit levels for all groups, except for healthcare, which we have forecast to increase an average of 8%.

As a result of dedicated funding sources, City Manager Marsh commented that the City continues to make some progress with the preservation of two major asset classes, including water main and sanitary sewers in the Water and Sewer Fund and street-related rehabilitation projects in the Local Streets Fund. The forecast assumes full implementation and funding of our Capital Improvement Plan. As mentioned, we are already making plans in case we need to scale this investment back to balance the budget; we don't want to get into a situation where we can't afford to maintain what we have. A large part of our capital without a dedicated funding source is Public Safety Equipment. Assets included in the forecasted Capital Outlay include computer technology, building improvements, vehicles, streets, and machinery and equipment in the general fund.

Based on the tax structure in the State and the Capital improvements and items we want to address in the City, City Manager Marsh stated that we need to start thinking about a few things proactively:

1. **Renewal of the Neighborhood Road Millage** in 2026. You will hear more about this under Department Needs.
2. Research ability to levy **PA 359 of 1925**. \$50,000 to offset communications (newsletter, promotion, communications function)

3. **Brainstorm millage options** for Funding FY 2028 and beyond. Suggest asking the voters in August 2026 to include a Public Safety Equipment and Vehicle Millage currently estimated to be needed at three mills. This is the same process we used before 1996 and 2006

Strategic Areas of Focus

The Strategic Areas of Focus are: Public Safety, Infrastructure/Capital Assets, Quality of Life, Economic Development, Financial Stability, and Sustainability.

The most critical need City Manager Marsh noted is a continuation of our dedicated Road Millage. This was detailed in the forecast report with a timeline. The last levy of the current road millage will be July 2026. We anticipate asking the voters to support an R-4 millage in August 2026, which would be 2.0 mills. We need to discuss if we want to increase this to cover inflation cost increases and complete more roads during this 10-year cycle. Ms. Marsh presented the most recent PASER ratings. This upcoming Spring, our engineers will be completing a report with associated cost. This is a decision we will be making next year at this time.

DPS – Departmental Needs

Our current garbage contract expires this June, and staff intends to bid on this service. While the new bid will be written requesting all options of service, including cart plus (what we have now is cart plus everything) and the alternative method of moving to a cart-only program. Cart-only is the most economical as it requires one person driving who would only get out of the vehicle when there is something extra at the curb. This would be a learning curve for our residents. While I think everyone here prefers the cart-plus program, we will discuss this again when the bids are received. The cart replacement program is still in the works and will be rolled out after we get the contract with the garbage provider settled.

Discussion followed on the garbage service options, the cost of providing an additional one-time garbage day, the need for education if the type of service is changed, the perception that the residents will not be happy with a service change, and the Material Management Plan that is under development at the State level.

Ms. Marsh reviewed DPS staffing, noting they are currently at 32 full-time employees including Recreation and Active Adult Center. As the demands on this department continue to grow, there is a need for more personnel. We have started the discussion of the addition of staffing as follows:

- Two full-time Equipment Operators. In order to keep with maintenance needs throughout the City.
- AAC: Add a full-time desk position and more part-time hours.
 - The center is seeing increased patronage since moving into the new building, and the front desk and phones are very heavily, sometimes entirely supported by volunteers. The transportation program also continues to grow; the part-time hours would support that, as well as the front desk.
- * 2 - year-round part-time Park employees to supplement our two seasonal Park Ranger positions.

- The City has seen growth in Parks amenities and subsequent increase in programming and use of the facilities (bandshell, pickleball courts, etc.) Additionally, the Civic Center construction project has revitalized the landscaping at this facility. Having dedicated staff with a flexible schedule to perform a hybrid list of tasks between landscape maintenance, support for after-hours events, and maintenance of park facilities will allow us to keep these new and improved facilities at their peak, and provide the best possible experience for patrons using our parks and attending our events.

As discussed earlier, City Manager Marsh commented that we are not planning to add reoccurring expenditures in the form of additional full-time staffing this year. However, we will be asking to increase year-round part-time staffing in Parks as described above and an increase in AAC part-time hours to help facilitate increased utilization and programming.

- Add a second free chipping week – \$7,200

Economic Development

The 11 Mile Streetscape project is underway. Mayor Grafstein suggested a Community Improvement District on John R from 11 Mile to 13 Mile or from Gardenia to 12 Mile be established. Staff will look into the options and report back.

Major Park Investment

The Parks and Recreation Master Plan update will begin in 2025. Discussion followed on the possibility of joint programming or coordination with other units of government or the private sector to bring additional programming to the residents. Mayor Pro Tem Bliss requested that perhaps a small amount of funding could be set aside in the budget to facilitate partnerships in the future.

Mayor Pro Tem Bliss emphasized the need for bathrooms, benches and shade areas in the city's parks and he hopes for continued advancement in this area.

Increase Event Funding

Increased event funding was discussed for events such as the Festival in the Park to bring additional attractions that will enhance the experience. Councilman Wright suggested that a drone show may be an alternative to fireworks for the Festival in the Park.

Neighborhood Trees

DPS Director Ballantine noted the City use of the General Fund to match any tree grants received. Tree replacement is decently funded at this point in the City and there are shovel-ready projects to take advantage of any funds that become available.

Expansion of Library Resources

Library Director Verdun-Morris noted that based on a recent survey, patrons desire more of the services that are currently being provided. Councilor Rohrbach noted that she wanted to make sure the resources are available to have additional outreach to bring people into the library.

Councilor Wright noted that he would like to see some disaster preparedness kits for those who may need critical power during outages.

Mural Installation

Mural installations in the City were discussed and it was suggested that money be put aside to have businesses install and bring art into the City.

Police – Departmental Needs

Expanding the co-responder program was listed as a priority by the City Council. City Manager Marsh and Police Chief LeMerise stated that we will re-assess expansion after the completion of year one, which is fully grant-funded. It was noted that all indicators show that this program is successful in Madison Heights.

Police Chief LeMersise commented that preliminary data indicates we have enough work for a dedicated Co-Responder. The current program has only been fully functioning since October. However, all indications are that despite our lower population when compared to a city like Troy, we have almost as many referrals, indicating an increased need for Madison Heights. If benchmarks prove it is needed, expansion will be looked at. Currently the cost for a dedicated Co-Responder would be \$128,000. Sharing a Co-Responder cost is currently \$68,000. Chief LeMerise noted that he is looking into the possibility of opioid money being used to fund this and will report back.

City Manager Marsh also noted that the Lamphere District has requested a second School Resource Officer. This cost has been split 60/40. The increased cost for the city share is \$75,967, this is already included in the forecast as we originally budgeted this for Madison District, who ended up not wanting to partner with the city for this service.

Code Enforcement

City Manager Marsh explained that in the past, the City's Code Enforcement would conduct "targeted enforcement" to proactively address issues. Assistant City Attorney Burns reviewed the Code Enforcement process, including percentage of cases of non-compliance. He noted that about 20% of cases drag on and 5% are non-compliant. It may be helpful to identify common complaints and target enforcement in those areas.

Traffic Safety City-wide

DPS Director Ballantine informed Council that radar signs have been purchased for speed monitoring in school zones for each major road. Councilman Meir suggested that perhaps the Madison Heights Community Foundation would be open to help fund raised cross walk areas.

ADJOURNMENT:

Having no further business, Mayor Grafstein adjourned the meeting at 8:44 p.m.

Roslyn Grafstein, Mayor

Cheryl E. Rottmann, City Clerk