

City Council Regular Meeting
Madison Heights, Michigan
December 01, 2024

A City Council Regular Meeting was held on Monday, December 01, 2025, at 6:00 PM at Fire Station #1 located at 31313 Brush Street, Madison Heights, Michigan, 48071.

PRESENT

Mayor Corey Haines
Mayor Pro William Mier
Councilman Toya Aaron
Councilman Sean Fleming
Councilor Laurie Gerald
Councilman Emily Rohrbach
Councilor Quinn Wright

OTHERS PRESENT

City Manager Melissa Marsh
City Attorney Larry Sherman
Deputy City Manager/City Clerk Cheryl Rottmann
CED Director Giles Tucker
DPS Director Sean Ballantine
Assistant to the City Manager Harley Mordarski
Finance Director Linda Kunath
Fire Chief Greg Lelito
Deputy Fire Chief Ray Gilson
IT Consultant Ty Dolin
Library Director Vanessa Verdun-Morris
Police Chief Brent LeMerise

MEETING OPEN TO THE PUBLIC:

There were no members of the public wishing to speak.

2027-31 Strategic Planning

City Manager Marsh welcomed the Council to tonight's Strategic Planning session, commenting that this meeting kicks off the budget process and is key in not only developing the map we are going to follow to continue to move our city forward but also the development of the budget and financial resources that support that journey.

Financial Forecast

City Manager Marsh gave an overview of the City's financial forecast, noting that we are doing financially well, but Headlee Proposal A and inflation will place its toll on us, and we need to continue to think about how we are going to continue to maintain and improve our community in future years. 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. As of August 2025, labor market conditions across Michigan and the Detroit area continue to soften following the post-pandemic expansion. Michigan's unemployment rate stands at roughly 5.2%, one of the highest among U.S. states according to the Bureau of Labor Statistics. In contrast, Oakland County, and especially inner-ring communities such as Madison Heights, remains comparatively strong, with unemployment only around 4.3%. This reflects the metro area's diverse economic base, including manufacturing, expanding logistics and warehousing, and a growing health care and professional services sector. Madison Heights is particularly well positioned due to its central location near major employment hubs in Detroit, Troy, Southfield, and Auburn Hills, and its access to I-75 and I-696. At the city level, Madison Heights continues to outperform both the state and region. Preliminary estimates place the city's unemployment rate at approximately 2.6% in September 2025; well below statewide and metro averages. This reflects the city's advantageous transportation access, its mix of employment activity, and its appeal as an affordable inner-ring suburb for both businesses and residents. Stable median household income and steady population trends further reinforce local economic stability. The continued strength of southeast Oakland County and Madison Heights supports a cautiously optimistic outlook for taxable values, business activity, and household income at least for FY 2027

Overall financial conditions remain stable, but several signs of long-term strain are emerging. The City ended FY 2025 with a healthy fund balance and disciplined spending levels, supported by careful budgeting and strong collection rates. However, FY 2026 reflects growing pressures tied to state-level revenue sharing reductions, rising legacy pension costs, and increasing operational expenses, particularly in public safety and employee benefits. Several of these pressures are structural rather than temporary which sounds an alarm. Reductions in constitutional revenue sharing resulting from recent changes in the state's sales tax distribution are already impacting the current year. Madison Heights is projected to lose approximately \$62,000 in FY 2026, followed by permanent deeper cuts the next year and each year thereafter. At the same time, Police & Fire pension funding levels remain low at around 63%, and annual retiree payout obligations continue to rise. This is a drastic improvement but still means we only have \$0.63 cents for every dollar needed. 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 2026, we will receive \$3.7 only \$150,000 more than 22 years earlier.

The city will also continue to struggle to enhance and eventually maintain services due to restrictive interaction between Proposal A and Headlee Proposal A and Headlee work together to both cap the amount of increase in taxable value a municipality can have to the lesser of 5 percent or the state-approved rate of inflation, with no cap on the decreases. In FY 2027, this multiplier will be 2.7 percent, which caps the City's overall taxable value growth. Unless the State reforms the structure of restricting municipal revenue growth, the city will continue to struggle to keep up, especially in years when inflation exceeds approved State Tax commission Inflation rate. In years when the City's growth exceeds the State Tax Commission Inflation rate the millage is rolled back. This has resulted in the City's 16-mill charter millage being rolled back to a maximum of 13.7195 (FY 2026 – this doesn't include a rollback we may face for the upcoming budget year). In FY 2026 over 66% of the City's revenues are derived from property taxes. In FY 2026 the City levied 13.5578 of its charter millage leaving only 0.1617 of capacity to protect against future roll backs. This 0.1617 millage capacity equates to \$177,000.

At the November 19th Council Meeting we had a brief audit presentation, we heard that FY 2025 ended with an increase in fund balance to \$18.3 million, mostly related to carryforward or “phase funding” for one-time capital expenditures. If all these projects were to be completed, we anticipate a planned use of fund balance in FY 2025 of close to \$5 million, leaving \$13.2 million at the end of June 30, 2026. We do have a Fund Balance policy in place requiring 16% of operating expenditure plus one year of debt payments to be held in reserve. This amount ranges around \$7.5 million. Ideally the fund balance runs parallel like 2018-2020 however these lines accurately depicted the saving and spending model followed by the city instead of a financing method. As a result, we have low debt and ability to withstand future financial downturns by reducing controllable expenditure. These numbers are illustrative only and would assume everything we are “saving for” is spent in FY 2025 and that all projects, equipment, and machinery included in the Capital Improvement Plan are included in future budgets. Based on these numbers, we already know we will need to scale back our capital investment going forward, delaying some replacements and projects to retain an acceptable fund balance level. This long-term financial outlook continues to highlight persistent structural challenges within the City’s General Fund, challenges that ultimately require policy changes at the State level to be fully resolved. Despite these constraints, the city has benefited significantly from proactive fiscal planning and disciplined use of this forecasting process. These efforts have allowed us to anticipate potential gaps early, evaluate the need for future Headlee override renewals or dedicated millages, and maintain a strong short- and long-term financial posture. Absent major economic disruptions or unforeseen emergencies, the city is expected to remain fiscally stable; however, the forecast clearly indicates the need to evaluate alternatives during the FY 2028 budget development process.

Looking ahead, the Financial Forecast for FY 2027-2031 outlines a challenging but manageable fiscal environment. Revenues will grow, but at a slower rate than expenditures driven largely by the items discussed - limited taxable value growth, legacy pension pressures, health care inflation and capital needs.

The projections discussed in the remainder of this report rely on several key assumptions:

- No wage increases beyond June 30, 2026, when all the City’s eight union contracts expire. This is a best practice when contracts are expired.
- Required minimum fund balance between \$7.38M and \$7.51M (16% of operations plus one year of debt).
- Taxable Value increases of 2.7% in FY 2027, according to the State Tax Commission, followed by 2.0%-2.5% annually thereafter.
- Health Insurance cost increases of 6% in FY 2027, followed by 5% per year thereafter.
- No additional positions are included part-time or full-time.
- Utilities are included at an increase of 3% - electricity, heat and water.
- Capital Projects are included as submitted in the Capital Improvement Plan, though will require future prioritization.
- Contracted Services are included at contracted rates; if a contract is expiring then no increase is included.
- Permanent state revenues decline due to sales-tax reallocations related to gas tax.
- Declining cable, court and federal grant revenues are also included based on actuals.

- Pension contributions are included equal to the Public Act 345 millage for Police and Fire Pension Trust Fund, included continued additional contributions until this fund reaches a minimum of 80% funding level.
- Ground Emergency Medical Transport (GEMT) revenues of \$400,000 annually are included beginning FY 2028. The State is currently working through the process of establishing this program.

Except for Police and Fire, full-time staffing has remained stagnant. 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 6%. Staffing is most of the department's number one need we evaluate this request as part of the line-item budget and in context with our overall goals.

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. We also continue to make 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. Assets included in the forecasted Capital Outlay include computer technology, building improvements, vehicles, streets, and machinery and equipment in the general fund.

Councilman Mier expressed concerns with some of the cost assumptions and the assumption that an R-4 millage will pass in the financial forecast.

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. We plan to levy **PA 359 of 1925**. \$50,000 to offset communications (newsletter, promotion, communications function)
3. **Long-term Millage Strategy** – deferred for one year (2028) in lieu of asking voters to approve an additional millage – consider implementing a PA 164 levy of 1.0 mill. This would result in a reduction of other special millages as to not cause an increase to tax payers.

The five-year outlook highlights several major issues that will need to be addressed and will significantly shape the City's fiscal landscape:

- Expiration of the R-3: Neighborhood Road Millage

Revenue Sharing Declines:

- State reallocations tied to gasoline-related sales tax approved for the State's Fy 2026 budget will erode funding. Madison heights is projected to lose \$62,024 in FY 2026 and \$131,415 in FY2027. This is a permeant reduction in unrestricted revenue sharing and it will exacerbate the structural funding gap created by Proposal A and Headlee limitations.

Court Revenue Shortfalls:

- Court revenues are an annual issue and budget discussion with the court staff. It is important the city remains unified that the cost needs to cover the Court operational expenses. These court revenues are forecasted to be below operational cost for the upcoming budget cycle. With revenues roughly \$1.4M compared to expenditures up to \$1.74M, monitoring, fee and operational adjustments continue.

Millage Strategy

The City's long-term millage strategy continues to focus on maintaining fiscal stability while meeting service expectations and managing future funding needs. Over the past several years, the city has strengthened the Police and Fire Pension Trust, increasing its funded status from 48% to 63%. This improvement was made possible by redirecting dollars previously allocated to OPEB once that trust became fully funded in 2021. Those dollars were shifted into the Pension Trust without increasing the overall millage rate, allowing the city to make meaningful progress toward long-term pension sustainability. Because the current millage structure includes capacity that is no longer needed for OPEB, the City will have the ability to gradually adjust millages in the future as new dedicated funding sources are considered. This provides flexibility to realign millages over time without increasing the overall levy to residents. Two potential future millages that may benefit from this alignment include:

PA 359 of 1925 (FY 2027)

Public Act 359 allows for up to \$50,000 annually for community promotions and related activities. This option may be considered as part of future budget discussions to support ongoing communications and engagement efforts without increasing overall taxes.

Public Act 164 Library Millage (FY 2028 or FY 2029)

The City may consider levying a 1.0-mill dedicated library millage under Public Act 164 through resolution during the budget process. This would establish the Library as a separate entity with an appointed Library Board responsible for operational decisions, while all staff and the building would remain City-supported. If pursued in future years, this millage could be offset by a corresponding reduction elsewhere to avoid any net increase to residents. Given current fund balance levels and other priorities, this strategy will not be implemented in the upcoming year but remains an option for long-term planning.

Dedicated Road Funding R-4

The R-3 millage (2.0 mills) expires in 2026. To continue this critical program allowing us to reconstruct and maintain neighborhood roads we will need to go before the voters for a renewal "R-4 Neighborhood Roads". A straight renewal is the most viable path given economic conditions. The city anticipates receiving approximately \$800,000 in new state road funding, which will help stabilize ongoing neighborhood road needs. However, this funding will not replace the dedicated millage; it will only serve as a supplement. Even with a 2-mill levy, the City cannot fully address all streets currently rated a PASER 2 or 3. PASER ratings. The good news is that we do not have any "1" ratings; the bad news is we have too many "2" and "3" ratings for funding and before ten more years the "4" and "5" ratings will become "2" and "3" ratings.

Personnel Needs

City Manager Marsh reviewed the personnel needs submitted by the departments and summarized them as follows:

DPS

Change DPS office hours to the same as field staff 7:00 – 3:30. No Cost implications.

- In order to keep with maintenance needs throughout the City, two full-time Equipment Operators are needed
- One full-time Recreation Department employee with flex hours
- AAC: Add additional part-time hours for the front desk
- One full-time CDL driver

Library

- Library – one full-time librarian position

Fire

- Fire – Overtime detail for Building Inspections relevant to Fire Code issues

CED

- Code Enforcement – Evening and/or weekend Overtime Detail.

Departmental Needs

Finance Department

Finance Director Kunath noted that the Finance Department will be overseeing the required BSA switch to a cloud version. Most of our departments utilize BSA, including business licensing and permitting, and stated that there is a significant cost increase upfront as well as on-going. The initial cost is \$327,99 for FY 2027 and approximately \$121,000 each year afterwards.

Police

Chief LeMerise stated the first year of the Co-Responder Program has been completed and the city has received funding for a second year from Oakland County (through October 2026). This will need to be included in the FY 2027 budget to continue this program. He also stated the department has a required equipment upgrade for 911 call, costing \$98,000 in FY 2027 with subscription based service of \$48,000 each year thereafter. Chief LeMerise also noted that the Axon contracts expire in 2029 (Taser, body-worn cameras, in car video). They currently cost roughly \$157,000 annually.

City Clerk

City Clerk Rottmann noted that the State of Michigan is anticipated to require local governments to replace our current election equipment in FY27-28 as the current equipment has reached its end of service life. The cost is estimated to be \$230,000 for seven (7) in-person precincts and a high-speed tabulator for counting absentee ballots. At this time, the State has appropriated \$5 million one-time line-item to assist locals with the purchase of equipment, however, this amount would only cover approximately 7% of the cost for the State's 4,340 in-person precincts.

City Council Priorities

Council discussed and City Manager Marsh reviewed the following areas of focus and Council's priorities for strategic planning:

Quality of Life

- Major Park Investment
 - Parks to ADA compliance
 - Additional benches/seating
 - Bathrooms
 - Partnership for programming
- Neighborhood trees
- Expansion of Library Resources
- Expansion of recycling at city apartments
- Collaborations with schools

Public Safety

- Code Enforcement
 - Targeted enforcement
 - Education
 - Target blight
- Traffic Safety city-wide
- Increase signage on 11 Mile Road for lane changes
- Support of community policing

Economic Development

- Property Development
- 11 Mile/John R
- 925-959 E. 10 Mile
- Business Retention/Recruitment
- Roads and infrastructure investment
- Address community divestment and detachment and build community buy-in

Mayor Haines thanked City Manager Marsh, staff and Council for their input and work on the budget.

ADJOURNMENT:

Having no further business, Mayor Haines adjourned the meeting at 8:38 p.m.

Corey K. Haines, Mayor

Cheryl E. Rottmann, City Clerk