

FY 2021 PRELIMINARY FISCAL PLAN

DISCUSSION AND DELIBERATION, MAY 19, 2020

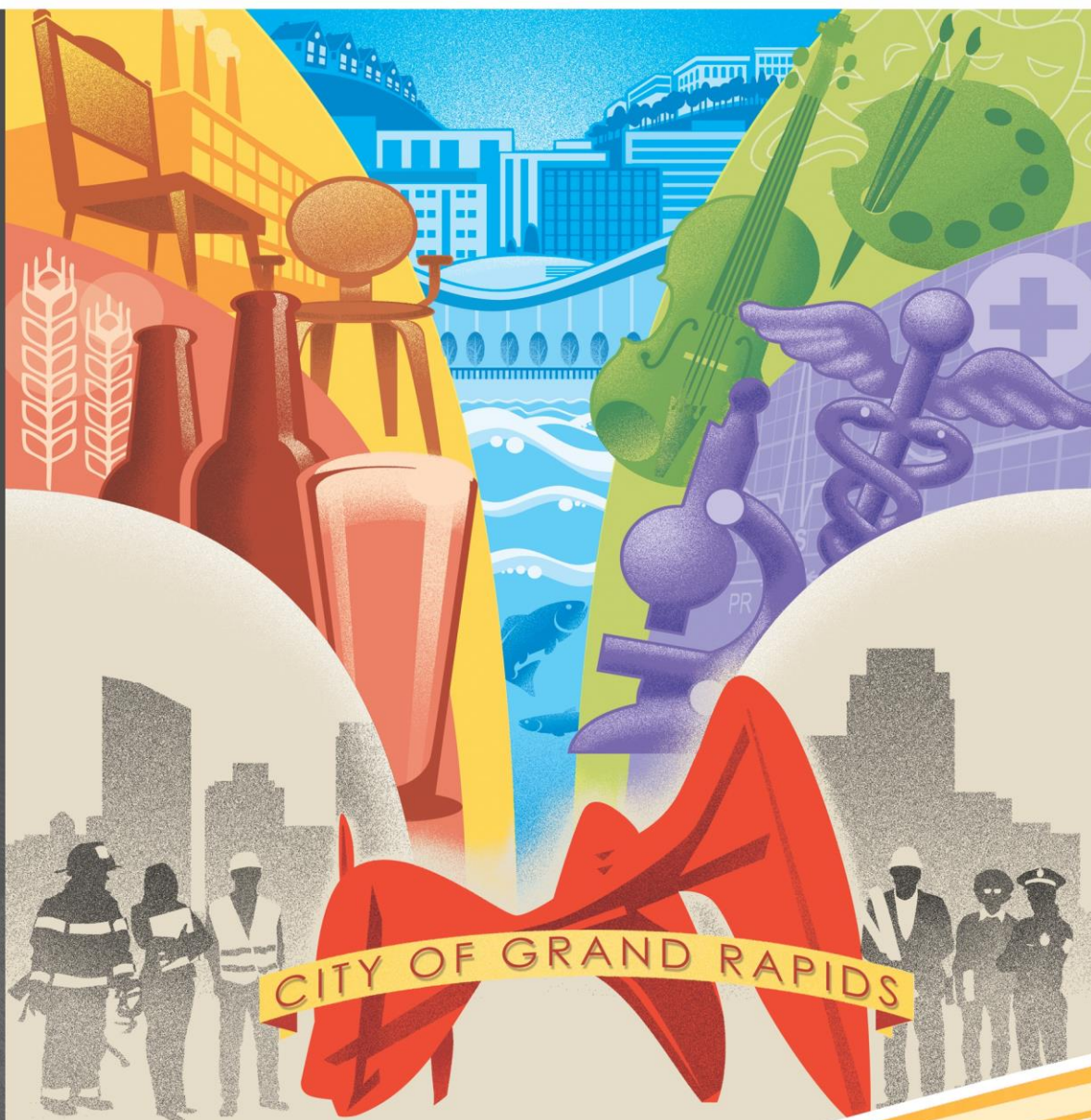
ACCOUNTABILITY

COLLABORATION

CUSTOMER SERVICE

EQUITY INNOVATION

SUSTAINABILITY



FY2021 Budget Review Schedule

- ✓ Tuesday, April 28 **Introduction of the FY2021 Preliminary Fiscal Plan (10am)**
- ✓ Thursday, April 30* **Budget Town Hall (5 – 6pm)**
- ✓ Tuesday, May 5* **Budget Review Workshop (9am – Noon)**
- Equity, Capital, Economic Prosperity and Affordability, Safe Community, Mobility
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- Health and Environment, Engaged and Connected Community, Governmental Excellence, Capital Update
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Public Hearing at City Commission meeting (7pm)
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* Special meetings scheduled

Today's Objectives

- Updated Financial Overview
- Additional Parks Information
- Housing Resiliency Approach
- Residential Rental Property Lead Paint Inspection Pilot Program
- Discussion of Court and Library Budgets
- MI Work Share
- Inclusive Investments in Support of Undocumented Residents
- Local/Regional Purchasing Policy Update
- Future Briefings After Budget Adoption

Financial Overview

FY2020 Approved: \$553,472,939

FY2021:

Preliminary Fiscal Plan \$539,634,637

Final Fiscal Plan \$531,253,953

Reduction \$8,380,684

Additional Revenue Reductions Made for Final FY2021 Budget

Fund	Income Tax*	State Shared Revenue**	CVTRS**	Act 51 Gas & Weight Tax**	Parking Fines	Charges For Services (1)	Total Reduction Needed	Identified Additional Reductions
General Fund	\$1,281,648	\$1,718,076	\$285,244				➤ \$3,284,968	➤ \$2,619,989
Capital Reserve Fund	56,882		285,244				✓ 342,126	✓ \$342,126
Sidewalk Repair Fund	32,943						✓ \$32,943	✓ \$32,943
Vital Streets Fund	172,979						✓ \$172,979	✓ \$172,979
Major Streets Fund				1,830,025			✓ \$1,830,025	✓ \$1,830,025
Local Streets Fund				610,008			✓ \$610,008	✓ \$610,008
Parking Operations Fund					25,000	3,185,402	✓ \$3,210,402	✓ \$3,210,402
Total	\$1,544,452	\$1,718,076	\$570,488	\$2,440,033	\$25,000	\$3,185,402	\$9,483,451	\$8,818,472

*0.5% increase in current budget, proposed -1% reduction ** 5% decrease in FY21 budget, reduced to -15% reduction

(1) Includes On-Street, Daily and Event Parking Revenues (dependent on activity within the City. Sports, shows, concerts, bars, restaurants, etc. When none of this is happening these are the main categories impacted.

Update from State Revenue Estimating Conference

	FY20	FY21
Current Budget	\$22,433,015	\$19,452,788
Constitutional	16,867,287	14,603,646
CVTRS	5,565,728	4,849,142
New State Estimate	\$21,410,712	\$20,800,787
Constitutional	15,884,984	15,095,916
CVTRS	5,565,728	5,704,871
Overall Difference	(\$1,022,303)	\$1,347,999

- State Share budget 15% reduction for FY2021 currently
- State estimated closer to 12% reduction for FY2021
- Favorable Difference:
 - General Fund \$920,134
 - Capital Reserve \$427,864
- Is the State estimate too positive?
- Use it to offset losses
 - FY2020 State Share
 - Income Tax
 - Absorb new estimates for FY2021 State Share if prove to be too positive

Updated General Fund Financial Forecast

General Operating Fund							
	FY2020 Adopted	FY2020 Estimate	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning Fund Balance	\$ 38,134,167	\$ 38,134,167	\$ 39,549,319	\$ 39,552,793	\$ 34,917,639	\$ 29,346,214	\$ 24,375,026
Revenue	\$ 150,796,232	\$ 147,518,665	\$ 142,895,595	\$ 145,446,330	\$ 148,166,694	\$ 151,487,024	\$ 155,079,003
Expenditure	\$ 147,831,777	\$ 146,103,513	\$ 142,892,121	\$ 150,081,484	\$ 153,738,119	\$ 156,458,212	\$ 159,360,793
Surplus (Deficit)	\$ 2,964,455	\$ 1,415,152	\$ 3,474	\$ (4,635,154)	\$ (5,571,425)	\$ (4,971,188)	\$ (4,281,790)
Ending Fund Balance	\$ 41,098,622	\$ 39,549,319	\$ 39,552,793	\$ 34,917,639	\$ 29,346,214	\$ 24,375,026	\$ 20,093,236
Unassigned FB %	27.8%	27.1%	27.7%	23.3%	19.1%	15.6%	12.6%

Policy Unassigned Fund Balance %: 15%

Updated General Fund Balance Compared to Preliminary Budget

General Operating Fund - Preliminary Fiscal Plan 4/28/20							
	FY2020 Adopted	FY2020 Estimate	FY2021	FY2022	FY2023	FY2024	FY2025
Unassigned FB %	27.8%	27.1%	27.6%	23.3%	18.5%	14.1%	10.0%

General Operating Fund - Updated 5/18/2020							
	FY2020 Adopted	FY2020 Estimate	FY2021	FY2022	FY2023	FY2024	FY2025
Unassigned FB %	27.8%	27.1%	27.7%	23.3%	19.1%	15.6%	12.6%

Policy Unassigned Fund Balance: 15%

Parks and Recreation Follow-up Information

Forestry Sustainability Plan

- In the FY2021 Preliminary Fiscal Plan the support of forestry sustainability was reduced from FY2020 by 13.65% or \$72,468.
- This amount has been restored to FY2020 levels.
 - Total \$391,067
 - General Operating Fund subsidy is \$291,067
 - Refuse Fund is \$100,000
 - COVID impacts mean sustaining what has been built and rebalancing in the next fiscal year.
 - The following reductions were made to achieve this
 - Return 0.5 full time employees of one Our Community's Children positions back to grant funded status (\$60,000) as in FY2020
 - Reallocate funding back to leveraged external sources (\$5,000)
 - Reduce Engineering non-project costs (\$7,468)

Parks and Recreation Follow-up Information

Forestry Sustainability Plan

- **Metrics:**
 - **FY2018 and FY2019:** 1390 tree removals, 3880 trees pruned, 1959 storm work orders
 - **FY2020 Year-end projection:** 898 tree removals, 1325 tree prunes, 1560 low limb prunes, 105 storm work orders
 - **FY2021:** 290 tree removals, 1535 trees pruned, 570 trees removed, 420 stumps removed
- **Outcomes Achieved:**
 - Priority One tree removals are completed
 - Priority Two tree trimming is approximately 49% complete
 - 1,150 replacement trees have been planted
 - Storm related work orders have decreased
 - Forestry has undergone extensive LEAN training and implementation
 - Greater efficiency with strategically programmed work orders versus response only

Parks and Recreation Follow-up Information

Ambassadors

- As we reactivate parks, we can consider a revised program to meet evolving pandemic conditions
- Options include:
 - Using reassigned staff from other departments rather than seasonal temporary employees
 - Investigating use of recovery funds to help with park activation
 - Seek community partnerships

Volunteers

- Have restored \$10,000 to contract amount with Friends of Grand Rapids Parks
- City will provide match for Garfield Park Splash Pad Project

Additional Parks Information

Acquisition

- Parks Board and Staff have developed a plan that was reviewed on May 12
- Acquisition of specific properties is best discussed in executive session as provided by law
- Will schedule a future executive session

Parks Maintenance of Effort (MOE)

- FY2021 MOE calculated based on 2013 Millage Guidelines currently in effect
- FY2021 MOE has been affected by same conditions impacting the entire general fund (GOF)
- May 12 comparison was based on Pre-COVID GOF projections – all operations are affected
- Both new and old MOE guidelines have MOE floating with GOF impacts in good times and bad
- MOE gives Parks special status not guaranteed for any other GOF investment
- Future MOE guidelines begin in FY2022 and are based on a look-back provision. It is always based on one year of GOF experience
- Will schedule a future City Commission discussion of the new investment guidelines

Housing Resiliency Approach

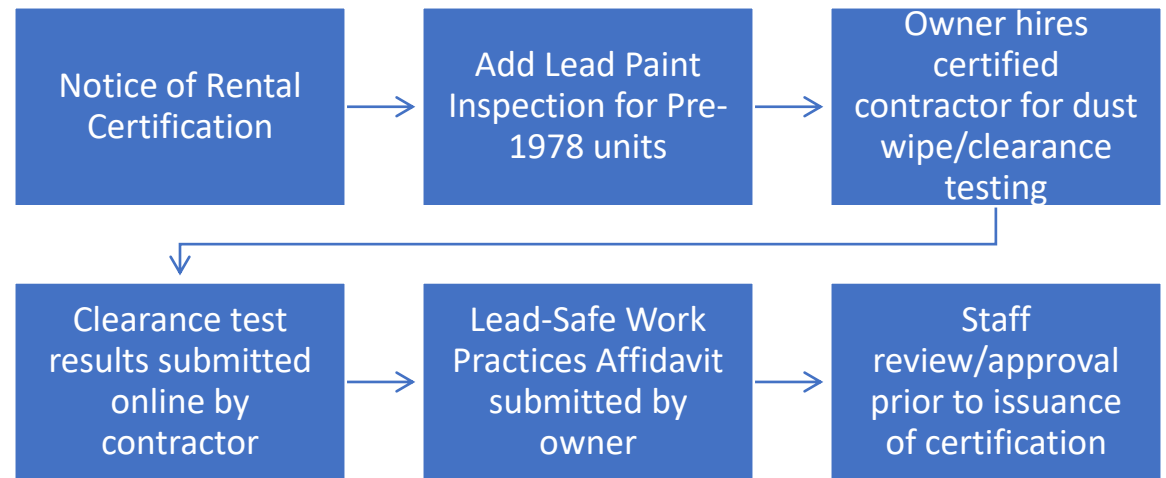
- May 5th recommendation was to combine funds reserved for housing in the Property Management Fund and the Other Grants Fund with \$125,000 of the \$250,000 in General Operating Fund resources to add an additional \$1,000,000 to Housing Resiliency work now
- The Economic Resiliency and Recovery Work Group has incorporated this recommendation into their planning
- This will complement another \$2.44 million of CDBG-CV, ESG-CV and GOF funding the work group also recommends for resident resiliency
- Investments will be delivered through a combination of City channels and community partners
- We will review concepts with the current members of the Grand Rapids Affordable Housing Community Fund for feedback before final funding decisions by City Commission
- Continue long-term development of affordable housing resources

Residential Rental Property Lead Paint Inspection - Pilot Program

- Lead Free Kids GR – recommended actions to reduce childhood lead poisoning
 - Reviewed data, policies and programs, including
 - Technical Assistance for Code Transformation and Innovation Collaborative (TACTIC) Report
 - Recommended changing Property Maintenance Code to require lead-based paint inspections for residential rental properties
- Incorporate into Rental Property Certification inspection program schedule
 - Single family 4 or 6 years; multi-family 2, 4 or 6 years
- Pilot – geography based (ex. 49507 zip code)
 - +12,000 pre-1978 dwelling units, comprising +4,600 rental dwelling units
 - 2,431 unit certifications due to expire in next 3 years

Residential Rental Property Lead Paint Inspection - Pilot Program

- Approach
 - Use contractors, not staff (similar to Mechanical Safety Inspection program)
 - Limited to 4 rooms, 2 dust wipes per room
 - Require affidavit that lead safe work practices used
- Collaborate with Rental Property Owners Association on pilot
- Code change and education needed
- Implementation to begin October/November



Discussion of COVID-19 Impacts on FY2020 and FY2021 District Court Budget

FY2020 Problem:

- Court reported second month of revenue shortfall after April closing in early May and work began on a solution with Fiscal Services
- Operating revenues have been affected more severely than Mobile GR revenues
- Court Filing Fee revenues are down approximately \$2 million or approximately 34%
- Need to match expected expenditures with expected revenues and additional transfer from the General Operating Fund to avoid a deficit in the District Court Fund

FY2020 Solution:

- District Court is preparing to implement the state Work Share program to help balance work and costs - \$148,500 savings in FY2020
- Reduce other operating expenses by approximately \$900,000
- Will require budget amendment in June that will allocate General Operating Fund Contingent Account dollars to balance the District Court Fund. Anticipated amount of the budget amendment is estimated at \$1.1 million

Discussion of COVID-19 Impacts on FY2020 and FY2021 District Court Budget

FY2021 Problem:

- Operating budget will be adjusted once the expected pace of reactivation of court services as authorized by the State Court Administrators Office is known
- District Court, Fiscal Services and Executive Office will work to match FY2021 revenues and expenditure reductions to the reactivation plan beyond \$250,000 in reductions already identified

FY2021 Solution:

- District Court is preparing to implement the MI Work Share program to help balance work and costs - \$121,500 savings in FY2021
- Implement additional position freezes and reduce temporary staff as followed by other City departments
- Work to collect a portion of uncollected FY2020 revenues in FY2021
- Additional ideas for permanent cost savings will be pursued in the first quarter of FY2021 for implementation during FY2021
- Legislation regarding court funding reform has been introduced, but is stalled due the COVID pandemic and state fiscal condition – this adds to the urgency of a long term solution

Discussion of FY2021 Public Library Budget

- Supported by a dedicated operating millage
- Non-millage sources are only 6.7% of total budget
- In FY2020:
 - Saved \$230,000 in operating costs during the Stay Home, Stay Safe closure
 - FY2020 is expected to finish the year with positive revenues over expenditures
- For FY2021:
 - Will slowly ramp up during reopening phase
 - Revenue/Expenditure outlook is solid

MI Work Share

- In discussions with represented groups on options if required
- Must consider service-level impact and coverage, particularly in essential operations
- Possibility to submit plan as option and exercise if circumstances require
- Important to note the option under discussion would **ONLY** extend through July 24 at this time (expiration of enhanced Federal benefit)

Inclusive Investments: Undocumented Residents

- Economic Resiliency and Recovery Work Group is developing recommendations for both residents and businesses
- A mix of scaling up City services and direct investments to community partners that deliver resiliency and recovery services to residents and businesses is the likely direction of the recommendations
- Federal funds come with regulations that restrict “federal public benefit” which affect use of CDBG-CV and ESG-CV dollars
- Investment with federal dollars can help partners leverage less restrictive funds from other sources.
- Investment of GOF to help address support gaps for those not eligible for federal support is a recommendation under development

Local/Regional Purchasing Policy

Current Goods and Services Discounts

Agency	MLBE	Regional	Second Tier Utilization of MLBE	Joint Venture Participation with MLBE	General Target Area	Various Discounts	Application	Cap
City of Grand Rapids	3%	<ul style="list-style-type: none"> • 2% - City of Grand Rapids • 1.5% - Kent County • 1% - State of Michigan 	1-5% - based on % of MLBE Participation	5%	1-5% - Based on total bid amount	1%	Bids > \$10,000	5% or \$25,000
GRPS	5%	5% - City of Grand Rapids	NA	NA	NA	NA	Bids > \$10,000	5% or \$25,000
GRCC	5%	NA	1-5% - based on % of MLBE Participation	5%	NA	NA	Bids > \$5,000	5% or \$25,000
Kent County	NA	NA	NA	NA	NA	NA	NA	NA
Ottawa County	NA	NA	NA	NA	NA	NA	NA	NA
Kentwood	NA	NA	NA	NA	NA	NA	NA	NA

Proposed Pilot – Enhanced Local/Regional Purchasing Guidelines (June 1 through December 31, 2020)

Local Focused Discounts	Existing	Proposed
Micro-Local Business Enterprise (MLBE) Discount	3%	7%
Area Local/Regional Bid Discount	2% <ul style="list-style-type: none"> • 2% City of Grand Rapids • 1.5% Kent County • 1% State of Michigan (Applied to top two bids if within 2% of total)	5% <ul style="list-style-type: none"> • 5% City of Grand Rapids • 3% Kent County • 2% State of Michigan (Applied to all bids > \$10,000)
General Target Area, Neighborhoods of Focus Discount	1% - 5%	7% for businesses located in Neighborhoods of Focus

Maximum bid discount of 7% is only available on bids identified which support local or regional businesses.

Financial Stats - Debt

- Outstanding Debt: \$537,788,353
 - $\frac{3}{4}$ of debt is from Water and Sewer Utilities
 - Plan to issue approximately \$32M in June for the Water Utility
- Well below legal debt margin – over \$500M remaining capacity
- Bond Rating currently same for City, Water and Sewer
 - S&P AA
 - Moody's Aa2

FY2021 Ordinance – Preliminary to Final Reconciliation

SERVICE PROGRAM	TOTAL PRELIMINARY APPROPRIATIONS	INCREASE / (DECREASE)	TOTAL FINAL APPROPRIATIONS	DESCRIPTION
PUBLIC LIBRARY	\$ 13,477,026	\$ -	\$ 13,477,026	
CLERK'S OFFICE	2,366,606	(25,000)	\$ 2,341,606	SUPPLIES, CONTRACTUAL SERVICES, PROF DEVT
EXECUTIVE OFFICE	16,244,826	(275,318)	\$ 15,969,508	\$50,318 GENERAL FUND; \$225,000 CAPITAL RESERVE FUND
COMMUNITY SERVICES	23,035,114	(166,558)	\$ 22,868,556	\$230,964 PARKS OPS REDUCTION; \$80,041 CDBG INCREASE; \$53,246 HOME INCREASE; \$4,320 OCC REDUCTION; \$59,562 OCC 50% ADMIN ANALYST I; \$5,000 OCC MAYOR'S YOUTH COUNCIL
PUBLIC SERVICES	84,188,051	(2,283,060)	\$ 81,904,991	\$1,137,786 PUBLIC WORKS; \$1,012,331 VITAL STREETS; \$32,943 SIDEWALK REPAIR
DESIGN & DEVELOPMENT	11,611,535	(114,576)	\$ 11,496,959	\$74,386 CODE COMPLIANCE; \$40,191 PLANNING
ENTERPRISE SERVICES	130,197,341	(84,242)	\$ 130,113,099	\$56,000 STREET LIGHTING; \$28,242 WATER POS SUB
PARKING AND MOBILITY	28,690,563	(2,304,724)	\$ 26,385,839	\$509,148 TRAFFIC SAFETY; \$1,795,576 PARKING OPERATIONS
ECONOMIC DEVELOPMENT	2,771,498	(763,480)	\$ 2,008,018	\$750,000 REDUCED SET-ASIDE; 13,480 CONTRACTUAL SERVICES, EE PARKING, OTHER MISC
HUMAN RESOURCES	33,821,674	(56,024)	\$ 33,765,650	\$30,000 CONTRACTUAL SERVICES; \$26,024 OTHER MISC
ADMINISTRATIVE SERVICES	3,708,164	(30,484)	\$ 3,677,680	\$10,354 REDUCED SPECIAL EVENTS; \$15,000 TRAINING (GOF TO GRANT FUNDED); \$5,130 CONTRACT EMPLOYEES
POLICE	62,803,764	(1,136,009)	\$ 61,667,755	\$81,504 DISPATCH PT ECO FREEZE (3); \$534,866 POSITION/INTERN FREEZE; \$349,386 RECRUIT EXPENSE; \$90,000 I.T. RESTORATION; \$30,000 TRAVEL/TRAINING; \$10,000 FURNITURE; \$10,000 OT; \$100,000 ELUCD/SUBSIDY; \$110,253 OTHER MISC
FIRE	32,883,475	(741,124)	\$ 32,142,351	\$125,000 (4010) WATER VEHICLE DEFERRED TO FY22; \$5,124 POS SUB; \$262,842 EQUIPMENT; \$45,750 SUPPLIES; \$130,524 DEFUND VACANT POS; \$48,000 CONTRACT TEMPS; \$50,000 MAINT SVC; \$73,884 OTHER MISC
DISTRICT COURT	14,160,902	-	\$ 14,160,902	
ATTORNEY'S OFFICE	3,015,322	-	\$ 3,015,322	
FACILITIES & FLEET MANAGEMENT	24,470,770	(48,714)	\$ 24,422,056	TWO POS SUBS: \$17,978 FACILITIES MGT ; \$22,970 FLEET; \$7,766 VEHICLE STORAGE FACILITY

FY21 Ordinance – Prelim to Final Recon

FISCAL SERVICES	25,439,865	(249,935)	\$ 25,189,930	\$42,050 INCOME TAX; \$81,504 DISPATCH SUBSIDY (261); \$14,700 FISCAL PLAN PRINTING (212); \$9,000 CONTRACTUAL SERVICES (261); \$37,500 ENG NON-PROJ COSTS (261); \$137,649 PARKS MOE (261); \$72,468 INCREASED PARKS FORESTRY SUSTAINABILITY SUBSIDY (261)
TECHNOLOGY & CHANGE MANAGEMENT	9,570,333	-	\$ 9,570,333	
TREASURY	3,520,540	(44,124)	\$ 3,476,416	\$19,462 FA I EIGHT MONTH VACANCY; \$23,950 AA I - ACCTG THREE MONTH VACANCY; \$712 MAINT SVC
COMPTROLLER	2,733,068	(57,312)	\$ 2,675,756	\$57,312 SIX MONTH VACANCY FOR FINANCIAL SYSTEMS ANALYST
RETIREMENT ACTIVITIES	10,918,800	-	\$ 10,918,800	
OTHER ACTIVITIES	5,400	-	\$ 5,400	
	\$ 539,634,637	\$ (8,380,684)	\$ 531,253,953	

Future Briefings After Budget Adoption

- Resiliency and Recovery investment recommendations (June) – COVID ESG and CDBG
- Use of other Federal dollars (TBD as confirmed or received)
- Finalize residential lead paint pilot FY2021 plan – when contractor capacity has been determined
- Actively managing any financial impacts of phased recovery

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