

## **Budget Work Session 5/3/22 – Follow up:**

[Presentation Power Point](#)

[Presentation Recording](#)

[FY23 Preliminary Fiscal Plan](#)

Reach out to [rpell@grcity.us](mailto:rpell@grcity.us) if there are issues accessing or editing this document.

### **INTRO/FINANCIAL OVERVIEW/EQUITY**

- 1. Can you provide a history of the State revenue sharing including history and future forecast – like the graph that has been used in the past for budget presentations? Also provide the same for property tax?**

Staff have projected FY2022 State Revenue Sharing distributions to increase 8.0% over FY2021 receipts. This is comprised of a 9.8% increase in constitutional revenue sharing and a 2.0% increase in statutory (CVTRS) revenue sharing. The increase in the constitutional portion is due in part to a \$1,072,706 “2020 Census Population Adjustment” included with the April 2022 Payment.” The population adjustment payment covers a two-year period – FY2021 (\$692,001) and FY2022 (\$380,705).

Constitutional revenue sharing payments are based on 15% of the 4% portion of Michigan’s 6% sales tax collections. Distributions are made to all Michigan cities, villages, and townships on a population basis. Staff projections are based upon the most recent State of Michigan guidance (Executive Recommendation released March 2, 2022 / updated April 1, 2022). Constitutional Revenue Sharing distributions are deposited to the General Administration Department within the General Fund and CVTRS revenues are split evenly between the General Fund and Capital Reserve Fund.

See separate attachments.

- 2. If we have capacity to improve capital set aside percentage, why don’t we?**

In the five-year forecast of the City’s Fiscal Plan, we are working over the course of the plan to get back into compliance with the capital set aside policy level. In FY23 it is 4.25%. From there the allocation improves as follows: FY24: 4.5%, FY25: 4.75%, and FY26: 5%. Any increase in the capital set-aside is directly offset in the General Fund and would result in net losses in FY2023-24 (currently about break-even) and larger than currently projected deficits in FY2025-27.

- 3. When will we get to 100% funding for Other Post-Employment Benefits (OPEB) and Pension?**

To put simply when considering the funding of the OPEB and Pension plans, since the valuations are designed to fully fund over a given period (or close to for the pension plans), look to the amortization period for when 100% funding is anticipated. Also less liability generally equals lower contributions, but it is very dependent on experience (especially in a closed plans like General Pension and GR OPEBs where the funding horizon is truncated).

Attaining 100% funding is largely dependent on plan experience. For each of the pension and OPEB plans we develop contribution amounts that are designed to eventually get each plan to a state of 100% funding at which time plan assets = plan liabilities. For instance, the General Pension per the most recent actuarial study is 79% funded. The amortization period is for 25 years at a 7% assumed investment return. This would infer that we expect to fully fund the plan in 25 years. We know that we have had to adjust the assumed investment return down to 6.75% for the 2022 valuation based on market performance, therefore we expect to adjust our contribution amount to be able to achieve the planned 25-year horizon.

It is important to note that there are differences between the Pension and OPEB plan benefits that impact where the plans currently stand and where they are headed. That said, generally when a plan achieves 100% funded status, while the amortization payment may go to zero (or become negative), the Normal Cost component of the contribution continues to be required – point being: 100% funding does NOT mean that contributions cease. These normal costs are annual cost of the future liability associated with the benefits earned in the current year.

### Retirement Systems

- General and Police-Fire pension sit at 79%/78% funded using smoothed assets, and if all assumptions are met, will trend toward 91%/86% funding levels in the next few years.
- The funding plan targets paying off current unfunded liability over 25 years, meaning that funded status will approach 100% gradually under the model
- Actual experience will dictate whether the plans reach 100% sooner or later
  - For example, not achieving the 6.75% assumed investment return will delay attainment of 100%, while returns > 6.75% will hasten 100% funding
- Bottom line: barring investment outperformance, the pension plans are 25+ years out from full funding

### OPEB Plans

- A very key part of the OPEB story is that the plans are closed to new members and like nearly all OPEB plans, GR had very favorable claims experience in the past few years – serving to reduce liabilities
- When favorable claims experience combined with contributions made and investment thereon, OPEB Plan funded status has increased dramatically in last 5 years
  - General: 16% funded in 2017, 56% in 2021
  - Police: 46% funded in 2017, 105% in 2021
  - Fire: 42% funded in 2017, 91% in 2021
- Going forward if all assumptions are met, the plans will trend toward more favorable levels in coming years, including Fire attaining 100%
- Funding plan targets approaching 100% funding in next 17 years for General
- However, OPEB liabilities can be more volatile than pension liabilities, and after the years of favorable claims experience – there may be experience losses in the future
- Bottom line: OPEB liabilities and funded status have been much more variable than pension funded status. If claims experience leads to losses and investments underperform, the plans may all return to <100% funded status. Continued favorable claims and favorable

investment performance will lead to Police and Fire being >100%, and hasten the arrival of General at 100% funding.

**When will the City have less liability?**

Retirement Systems:

- General pension liability is projected to peak in roughly 10-15 years.
- The financial impact will depend on asset performance throughout the remainder of the life of the plan – For example General Retirement System annual benefit payments are projected to be ~ greater than \$40 million for the next 25 years.
- Note that the Police Fire pension liability will continue to increase since the plan is open to new members.

With respect to the OPEB Plans

The OPEB liability for each plan started decreasing starting 5-6 years ago. Generally, plan contributions have decreased and funding levels have increased in the time since. As noted above, actual claims experience will drive liabilities going forward, and benefit payments for the 3 OPEB Plans is expected to reach a high point of roughly \$10 million in 10 years.

**4. How is the City collaborating with the County on broadband services to the community? Why is the City only budgeting \$100,000?**

Ten parks are currently activated with Wi-Fi access. Ten more pilot parks are targeted with the \$100,000 allocation. Parks advisory board requested more time to see usage data and see an increase in use before expanding service in parks too rapidly. Park selections prioritize neighborhoods of focus, parks with shelters and amenities, and close proximity to schools. The City Manager did speak with the County Administrator and the County’s focus is primarily assessing the need in areas outside of the urban core that has either no service or disrupted/limited service.

**5. Please provide data related to access to language services. How do citizens access language services?**

As a part of the language access pilot program, 311 Customer Service started to track the number of interactions which required language services. This chart shows the number of 311 interactions requiring interpretation services each month starting in February of 2021. The data is broken down by services provided by a 311 agent versus services through the language line.

311 Customer Service - Interactions Requiring Language Services				
Month	Interpreter Used - Spanish	Interpreter Used - Other Language	Total Interactions	Other Languages Used
Feb-21	126	0	126	
Mar-21	104	2	106	Kinyarwandan and Rundi
Apr-21	113	2	115	Swahili
May-21	157	3	160	Kinyarwandan, Swahili, Vietnamese

Jun-21	105	0	105	
Jul-21	162	1	163	Burmese
Aug-21	130	8	138	Bosnian (3), Burmese (3), Vietnamese (2)
Sep-21	93	3	96	Rundi, Vietnamese (2)
Oct-21	96	1	97	Swahili
Nov-21	90	0	90	
Dec-21	80	0	80	
Jan-22	91	0	91	
Feb-22	121	0	121	
Mar-22	103	0	103	

Additional bilingual staff also support language access through various departments. The new Language Access policy is scheduled to go into effect this summer and provides guidance to both staff and community on how to access language services.

**6. How do we ensure equity is lived out within leveraged funds/partnerships – asking partners how intend to make best use of funding?**

As aligned to our value of equity, defined as leveraging City influence to intentionally remove and prevent barriers created by systemic and institutional injustice, many City departments are embedding equity into contracts and agreements starting from the RFP/RFQ and application phase to assess equity aspects and proposed outcomes of the bidder/applicant to inclusion of specific equity outcomes in deliverables for payment for additional accountability. This practice will be more City-wide once we finalize language that is legally defensible. We will then embed that language throughout the process of bids and contracts.

Another way to reinforce leveraging our influence is to expand and deepen staff equity training and strategic thought partnership to and among departments via the new Equity Analyst position, Equity Champions cohort, new equity learning community being designed, and the creation of tools and protocols to assess policy and practice for equity. This includes more intentionality to provide equity training to all City boards and commissions via the new online Equity Foundations training module as well as more in-depth trainings by the Office of Equity and Engagement for core groups, such as the Community Master Plan steering committee and others as requested, and capacity allows.

Examples of this work include but is not limited to:

- Office of Special Events (OSE), Mobile GR and Office of Equity and Engagement (OEE) have partnered on a new process to receive, vet and award City sponsorships/investments in events. This process includes vetting for equity such as use of MLBEs, diversity of vendors and organizers, inclusive outreach plan and more, as well as equity deliverables and reporting after the event. OSE works directly with event organizers to review equity aspects and build their capacity/awareness of how to center equity when planning events.
- Jeremiah/Jono – Inclusion Plan policy and Equitable Economic Matrix
- Purchasing, OEE, Department of Law, Engineering and Executive Office worked collaboratively to included equity deliverables, reporting and a remedy clause in construction contract for Rosa

Parks Circle. This is the initial experience from which the current work to create and embed equity throughout the bid process is based upon.

- OEE incorporating closing report data requirements for Neighborhood Match Fund investments, such as attendance and participation data disaggregated by race, ethnicity and by Grand Rapids residency.

## **SAFE COMMUNITY – POLICE & OPA**

### **1. What interactions/partnerships with agencies charged with providing services to immigrant community (Bethany Christian Services)?**

- a. The Office of Oversight and Public Accountability has been engaging with members of our African immigrant and refugee communities. Through those interactions, OPA learned of the need for “Know Your Rights” trainings that provides guidance regarding laws in the United States, expectations during traffic stops, expectations during interactions with the police, and potential immigration consequences. In order to ensure that these trainings are both culturally responsive and legally sound, OPA is working with Migrant Legal Aid to develop the training model and curriculum.
- b. For approximately 5-6 years, GRPD has partnered with Bethany and provided presentations, primarily to young refugee men (African, Latino, Afghan), at Bethany's request, regarding such topics as - Criminal Sexual Conduct, consent, and proper phone etiquette, laws, how to interact with the police etc... This was originally started with the Detective Unit and moved into our Community Engagement Unit.
- c. In Feb 2022, additional officers took it upon themselves, after seeing an uptick in police being called to a specific location, to work with Samaritas to give additional presentations to their Afghan youth on police interaction. That officer is going to be attending an out of state training in June regarding Middle Eastern awareness (to then bring back to the PD and teach others)
- d. Chief meeting with the Banyamulenge Community on Memorial Day

### **2. Immigrant and refugee focus in partnership with the County: Are the partners going to make subsequent investments into the work? Discuss Welcome Plan and concrete next steps.**

The City Manager spoke with the County, and they are in the process of hiring a part-time Welcome Plan coordinator. The County has interviewed finalists and are in the process of deciding. The Office of Equity and Engagement has been involved in the process ensuring the City's voice is heard. Conversations were had with the County Board chair and administrator stressing the importance of a county-wide focus on this issue and that it cannot be resolved solely at the municipality level. The City Manager has also spoken to staff at the cities of Wyoming and Kentwood specifically about being intentional in future partnerships.

## **FIRE and 61<sup>st</sup> DISTRICT COURT**

1. **61D Court Bond Payments: When will bonds be paid off and how much annual savings will result?**

<b>61st District Court</b>						
<i>Debt Service Requirements</i>						
					<b>FINAL PMT</b>	
	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>
City Payment for Debt Service	1,252,541	1,190,676	1,192,659	1,191,164	1,131,551	-