

A. CALL TO ORDER:

A Special Meeting of the Troy City Council was held on Monday, April 14, 2025, at City Hall, 500 W. Big Beaver Rd. Mayor Baker called the meeting to order at 6:01 PM.

B. ROLL CALL:

- a) Mayor Ethan Baker
Theresa Brooks
Rebecca A. Chamberlain-Creanga
Hirak Chanda
Mark Gunn
David Hamilton
Ellen Hodorek

C. PUBLIC COMMENT:**D. BUSINESS STATED IN THE SPECIAL MEETING NOTICE:**

D-1 Presentation of the Proposed Fiscal Year 2025/2026 Budget

Budget is available for review on the City's website at

<https://troymi.gov/budget>

City Manager Nastasi introduced the presentation outline, and provided a brief overview of the budget priorities, revenue increases, and expenditures.

Deputy City Manager Bruner continued the discussion, including trends and summaries for City tax rates, Troy Schools tax rates and Other tax rates. He said the City of Troy retains 27.8% of each tax bill and passes through 72.2% to other taxing jurisdictions. He discussed the taxable value and population changes of surrounding communities from 1980 to 2024.

Chief Financial Officer Maleszyk explained that the biggest change with this Budget compared to previous budgets is that the Troy Family Aquatic Center was moved from an Enterprise Fund to the General Fund. He also said they will highlight capital projects that had been deferred to future years and also explain some of the challenges coming with the Water and Sewer Fund. Mr. Maleszyk discussed the proposed 2025/2026 Budget document.

Mr. Vieth, Controller for the City of Troy, discussed Debt Service and Capital Funds and explained the increases and decreases in those Funds. Mr. Vieth discussed the Enterprise Funds and changes to those Funds.

Public Works Director Bovensiep discussed the Enterprise Funds for Water & Sewer Rates. He explained that fund balance is required to cover monthly bills from Great Lakes Water Authority since Troy residents and businesses are billed quarterly. He discussed Troy's water usage

history since 2007 and the impact weather and irrigation has on usage. Mr. Bovensiep discussed rate structure considerations in the future.

Mr. Vieth explained the Internal Service Funds and increases and decreases associated with those Funds.

City Manager Nastasi turned over the discussion to the Mayor for questions.

Mayor Baker thanked City Administration for the efficiency in the presentation slides and said the presentation will be available on the website. He said the questions asked over the weekend were included as a Late Submittal item. Mayor Baker welcomed questions from City Council.

Council Member Hamilton asked about the generator and Lane Drain dependent on grants. Mr. Vieth said the building generator is a federal grant and that will be pushed back to 2026. Mr. Vieth said the Lane Drain is a grant through FEMA, and they received notification late last week that the program is being eliminated. Mayor Baker asked for an explanation for the Lane Drain project. Mr. Bovensiep responded that it is an extension from Big Beaver and Livernois to the Lane Drain to provide relief from flooding downstream in that area.

Council Member Gunn asked for clarification on the water rates. Mr. Bovensiep responded that 60% is fixed cost and 40% is commodities rate. He said the commodities rates are determined upon selling water and since usage is going down, the lack of revenue is driving the rates up. Mr. Maleszyk added that when Great Lakes Water Authority took it over from Detroit, water rates were capped at 4% until this year. He said he doesn't expect water rates to come down anytime soon. Council Member Gunn inquired about the impacts on capital projects for the library in the event there is not a bond. Mr. Maleszyk said that if there is no bond, they come up with a new path and take some money from the fund balance for repairs. Council Member Gunn asked the current rainy-day fund balance. Mr. Maleszyk said the proposed FY 2026 lists the fund balance at \$23.3 million. Council Member Gunn asked about a balanced budget. Mr. Maleszyk responded that any deficits in the Budget are offset with the fund balance. Council Member Hamilton added that the Budget is determined based upon full employment and the City is never at full employment and is usually \$2 or \$3 million below. Council Member Gunn asked the difference between estimated and amended in the Budget. Mr. Maleszyk explained that the 2025 amended is the Budget approved by City Council and estimated is the amount expected to be spent before the end of the fiscal year.

Council Member Chamberlain-Creanga asked how tariffs and impacts with increased costs have been built into the Budget. She said the contingency fee has increased from 10% to 30% after COVID due to increased costs. Mr. Finlay commented that a 30% contingency fee is built into every contract even though the Budget was determined before the tariffs began. Council Member Hamilton asked if the 30% contingency is sufficient. Mr. Finlay responded that when they budget an amount for road projects each year, they spend the entire amount budgeted and have not needed to come back for budget amendments. Council Member Chamberlain-Creanga commented that tax revenue increases total \$7.7 million and that amount is not enough to cover capital needs to build or remodel a library, purchase a new fire truck, or pave new roads. Mr. Bruner said generally speaking that Headlee and Proposal A limits tax revenue growth to 5% for existing homeowners. He said, however, there is no law that limit increases to health care costs. He said that general costs of doing business are increasing faster than our existing tax base grows. Council Member Chamberlain-Creanga asked how a new development

like the Kmart redevelopment impacts the Budget for roads or infrastructure. Mr. Finlay responded that the relief sewer that was installed a few years ago was based upon a study from 10 years ago that planned for this type of expansion. He said the water and sewer and roads were addressed years ago. Mr. Maleszyk said they believe the Kmart development will be a Brownfield. Council Member Chamberlain-Creanga asked about the current occupancy and vacancy rates. City Assessor Timm responded that the current vacancy rate is steady at 18% for offices.

Council Member Chanda asked about the per capita taxable value rate compared to other communities. Mr. Savidant responded that the subdivisions built in the 1970's and 1980's were 100 or 200 home developments compared to the dramatic decrease of single or double-digit residential developments being built today. Council Member Chanda asked about the EMS funding. Mr. Maleszyk responded that City staff is working on an RFP, and they thought it was a responsible amount to budget until they have more information. Mayor Baker asked for clarification on the effects uncapping has because of Headlee. Mrs. Timm responded that ultimately the uncapping that occurs reduces the millage rate by Headlee. Council Member Hodorek commented that perception is reality for many residents. She said there is a misconception that because there is a lot of development occurring in the City that will solve all the City's financial woes. She also said there is a misconception that when property changes hands or there is a lot of turnover in the City, that will also solve the City's capital needs. Mr. Maleszyk explained how Headlee rollback affects the Capital Fund.

Council Member Hodorek asked about the impacts federal funding will have on the library. Library Director Dumas responded that it is still early to say what will happen. She said what is currently being discussed are changes with the federal government that could lead to the elimination of the federally-funded MeLCat. She said there is talk that it would be picked up by the State and be funded with grants. Council Member Hodorek asked about the Lane Drain and what is Plan B. Mr. Maleszyk said the information is brand new, so they will need to determine Plan B. Council Member Hodorek commented that animal control services were cut during the Great Recession. She asked if there has been any discussion about bringing back that service. Police Chief Jones responded that it is not in the current Budget, but it is something they can consider in the future if deemed a priority.

Council Member Brooks commented that her questions are related to funding from the federal government and will require time to determine how the Budget will be impacted. She asked if any consideration has been taken to change investments for retiree healthcare. Mr. Maleszyk responded that retiree healthcare will not have an income impact until FY 2027. He said the pension accounts are overfunded so there will be no impact.

Mayor Baker asked if the trees that have been cut down in Firefighters Park is an EPA grant and if that has been impacted by the changes with the federal government. Mr. Bovensiep said that the EPA informed them that the funds are still available and he is awaiting an award letter to submit to City Council. Mayor Baker commented that City Council often receives questions from residents regarding the unassigned fund balance and explaining why the amount is so high. Mr. Maleszyk responded that he likes to be conservative given some historical situations, such as the pandemic and VFIP where large amounts of the fund balance was required. He said spending some of the fund balance will not solve the major capital needs of the City. Mr. Bruner said that in the last 5 years, they have experienced two major crises requiring dipping into the fund balance. He also said that during the Great Recession, the City cut expenses extensively and spent a large portion of the fund balance down on roads. He said it is not

uncommon to have the fund balance increase over time and then spend it down on one-time costs. Mr. Maleszyk said they are spending the fund balance down to \$1.7 million to show there is a need. He said they are spending every dollar they can on capital and it is still not enough.

Council Member Hodorek commented that the Budget is determined based upon employment positions at 100%. She said the combination of COVID and unfilled positions created a buffer in the Budget that benefitted the City. She also said she stresses the importance of having a AAA bond rating. Mr. Maleszyk said the AAA bond rating provides the City the best possible rates in the event the City needs to incorporate any debt. Council Member Gunn said he explains it as the City's credit score.

Council Member Gunn asked about the fund balance. Mr. Bruner explained that the fund balance is determined based upon a percentage of expenditures. He said as expenditures go up, fund balance should be increased. He said it is normal when budgeting conservatively for the fund balance to be built up and then they spend it down. He said the current policy requires the fund balance be between 20% and 30%, which equates to approximately \$7 million dollars. Council Member Hamilton commented that he would like to hold off on spending any fund balance until determining if a bond proposal passes. Council Member Chanda asked about bond proposals. Mr. Maleszyk commented that refinancing bonds can be volatile. Mayor Baker said that Mr. Maleszyk successfully refinanced bonds twice and saved the City a lot of money.

Mayor Baker commented that the proposed Budget presented this evening lines up with the priorities of City Council.

Council Member Hamilton commented that Troy has one of the lowest tax rates in Oakland County. He said the average tax bill is \$137 per month based upon a taxable value of \$160,000 and that provides police and fire protection, parks, recreation, a community center, a library, roads and more. He said he is grateful to City staff for preparing a Budget that reflects the priorities of City Council.

Council Member Hodorek said the Budget reflects the policy setting City Council is responsible for, and she looks forward to the continued conversation on Wednesday evening. She thanked everyone for their hard work.

Council Member Brooks thanked City staff for providing a Budget that reflects City Council's values. She said this Budget reflects the deficit in capital needs and she looks forward to the conversation on Wednesday.

Council Member Chamberlain-Creanga said she is struggling with the conversation about a bond. She commented on the dire state of the capital needs even though the City is in a good financial position. She would like to communicate to the residents that needs can be met, but they cannot be met at an elevated level. She also said that less than 20% of voters vote in a local election. She said that it is a time to figure out how to be self-reliant. She thanked City staff for preparing the Budget.

Council Member Chanda thanked City Administration for presenting a well-prepared Budget that reflects City Council's values. He said this Budget clearly explains that the revenue does not support the expenditures, and he looks forward to the discussion on Wednesday.

Mayor Baker thanked City staff for preparing a Budget that paints a clear picture of the City's financial situation. He understands the pressing needs and Troy looks great from a financial perspective, but it doesn't present a full picture of the current needs. He said City Council is elected to make decisions that are best for Troy, and he looks forward to the conversation on Wednesday.

City Manager Nastasi thanked the Mayor and City Council for the discussion this evening and said for City Council to email any additional questions to the City Manager's Office.

E. OTHER BUSINESS:

F. ADJOURNMENT:

The Meeting **ADJOURNED** at 7:55 PM.

Mayor Ethan Baker

Cheryl A. Stewart, CMC, MiPMC2
Deputy City Clerk