



CITY OF GROSSE POINTE WOODS
FINANCE COMMITTEE MEETING AGENDA
Monday, August 21, 2023 at 7:15 PM

*Robert E. Novitke Municipal Center - Conference Room,
20025 Mack Plaza, Grosse Pointe Woods, MI 48236
(313) 343-2440*

PUBLIC INVITED: IN ACCORDANCE WITH THE PUBLIC ACT 267 OF 1976 (OPEN MEETINGS ACT), ALL MEMBERS OF THE GROUP LISTED ABOVE, AS WELL AS THE GENERAL PUBLIC, ARE INVITED TO ATTEND THIS MEETING.

AGENDA

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. APPROVAL OF MINUTES**
 - A. Finance Committee 03/30/23
- 4. DISCUSSION ITEMS**
 - A. Review FY 2022-2023 Fund Balance Analysis
 - B. Discuss City Council Memo dated June 27, 2023, related to Public Act 302 - Corrective Action Plan and additional funding for Retirement System
- 5. NEW BUSINESS/PUBLIC COMMENTS**
- 6. IMMEDIATE CERTIFICATION OF MINUTES**
- 7. ADJOURNMENT**

IN ACCORDANCE WITH PUBLIC ACT 267 (OPEN MEETINGS ACT)
POSTED AND COPIES GIVEN TO NEWSPAPERS

The City of Grosse Pointe Woods will provide necessary, reasonable auxiliary aids and services, such as signers for the hearing impaired, or audio tapes of printed materials being considered at the meeting to individuals with disabilities. All such requests must be made at least five days prior to a meeting. Individuals with disabilities requiring auxiliary aids or services should contact the City of Grosse Pointe Woods by writing or call the City Clerk's office, 20025 Mack Plaza, Grosse Pointe Woods, MI 48236 (313) 343-2440 or Telecommunications Device for the Deaf (TDD) 313 343-9249

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MINUTES OF THE FINANCE COMMITTEE MEETING OF THE CITY OF GROSSE POINTE WOODS HELD ON THURSDAY, MARCH 30, 2023, IN THE CONFERENCE ROOM OF THE ROBERT E. NOVITKE MUNICIPAL CENTER, 20025 MACK PLAZA, GROSSE POINTE WOODS, MICHIGAN.

The meeting was called to order at 7:21 p.m. by Chair McConaghy.

In attendance: Chairman McConaghy
 Members: Bryant, Koester

Absent: None

Also present: City Administrator Schulte
 Treasurer/Comptroller Murphy
 City Clerk Antolin
 Assistant City Administrator Como

Motion by Koester, seconded by Bryant, that all items on tonight’s agenda be received and placed on file.

Motion passed by the following vote:

Yes: Bryant, Koester, McConaghy
No: None
Absent: None

Motion by Bryant, seconded by Koester, that the meeting minutes dated April 14, 2022, be approved as submitted.

Motion passed by the following vote:

Yes: Bryant, Koester, McConaghy
No: None
Absent: None

The purpose of tonight’s meeting was the **review of the Proposed FY 2023-2024 Budget.**

The Committee congratulated and commended Treasurer/Comptroller Murphy and Administration on the excellent work done on the FY 2023/2024 Budget.

The Treasurer/Comptroller provided an overview of the FY 2022/2023 General Fund Balance Analysis. Revenue was higher than anticipated due to increases in State Shared Revenue, Interest Income, park/community center activity, donations, and property tax administration fees. Over budgeted items such as retiree health care, personnel costs,

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legal/court fees and election supplies were approximately \$1.2 million, which is expected to be placed back into the Fund Balance. After FY 2022/2023, the Fund Balance is expected to be approximately 45%.

The Treasurer/Comptroller provided an overview of major expenses in the General Fund for FY 2023/2024 including:

- Fund transfers for OPEB, Pension Fund, Capital Improvement Bond, Local Roads (Roslyn Rd.), Municipal Improvement Fund (Splash Pad, Dog Park).
- Fire Truck Payment
- New School Resource Officer (Funded in part by Grosse Pointe Public Schools)

The Treasurer/Comptroller stated that the Pension Actuary is completing an experience study to implement a funding policy change. Now that the city is under 60% funding, the city may need to make a funding choice that may draw from the Fund Balance. There will be discussion regarding any proposed changes at the May 4, 2023 Pension Board meeting.

A brief discussion ensued regarding the new splash pad, local road projects and the growing Fund Balance to be used towards the Pension Fund. Any proposed implementations will be brought to a Committee-of-the-Whole meeting.

Motion by Bryant, Seconded by Koester, regarding the **Proposed FY 2023-2024 Budget**, that the Finance Committee recommend City Council’s approval of FY 2023-2024 budget discussed at tonight’s meeting and to approve this budget as presented.

Motion passed by the following vote:
Yes: Bryant, Koester, McConaghy
No: None
Absent: None

Under New Business/Public Comment, no one wished to be heard.

Motion by Bryant, Seconded by Koester, that tonight’s meeting be immediately certified.

Motion passed by the following vote:
Yes: Bryant, Koester, McConaghy
No: None
Absent: None

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Motion by Brown, seconded by Koester, that tonight's meeting be adjourned at 8:29 p.m.
PASSED UNANIMOUSLY.

Respectfully submitted,

Paul P. Antolin
City Clerk

CITY OF GROSSE POINTE WOODS	
GENERAL FUND BALANCE ANALYSIS FY 2022-2023	
TOTAL BUDGETED REVENUE FY 2022-2023	16,100,900
TOTAL BUDGETED EXPENSES FY 2022-2023	16,559,207
TOTAL BUDGETED USE OF PRIOR YEAR RESERVES FY 2022-2023	(458,307)
TOTAL ESTIMATED REVENUE FY 2022-2023	16,906,959
TOTAL ESTIMATED EXPENSES FY 2022-2023	15,528,950
ESTIMATED REVENUE OVER EXPENSES FY 2022-2023	1,378,009
GENERAL FUND BALANCE @ 6.30.2022	5,694,444
PLUS ESTIMATED ADDITION TO FUND BALANCE FY 2022-2023	1,378,009
ESTIMATED FUND BALANCE @ 6.30.2023	7,072,453
FUND BALANCE % TO PROJECTED FY 2022-2023 EXPENSES	46%
FISCAL YEAR 2023-2024 PROPOSED BUDGET	
PROJECTED REVENUES FY 2023-2024	15,717,817
PROJECTED EXPENSES FY 2023-2024	16,719,012
TRANSFER PRIOR YEAR RESERVES FY 2023-2024	(1,001,195)
ESTIMATED FUND BALANCE @ 6.30.2024	6,071,258
FUND BALANCE % TO PROJECTED FY 2023-2024 EXPENSES	36%

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ANALYSIS OF FUND BALANCE WITH ADDITIONAL RETIREMENT CONTRIBUTIONS	
TRANSFER TO PENSION FUND FROM PRIOR YEAR RESERVES	(300,000)
ESTIMATED FUND BALANVCE @ 6.30.2024	5,771,258.48
FUND BALANCE % TO PROJECTED FY 2023-2024 EXPENSES	35%
TRANSFER TO PENSION FUND FROM PRIOR YEAR RESERVES	(500,000)
ESTIMATED FUND BALANVCE @ 6.30.2024	5,571,258.48
FUND BALANCE % TO PROJECTED FY 2023-2024 EXPENSES	33%
TRANSFER TO PENSION FUND FROM PRIOR YEAR RESERVES	(750,000)
ESTIMATED FUND BALANVCE @ 6.30.2024	5,321,258.48
FUND BALANCE % TO PROJECTED FY 2023-2024 EXPENSES	32%
CITY FUND BALANCE POLICY-MINIMUM UNASSIGNED FUND BALANCE IN GENERAL FUND WILL RANGE FROM 15% TO 20% OF THE SUBSEQUENT YEAR'S BUDGET	
GFOA RECOMMENDATION IS 10%-15%	



CITY OF GROSSE POINTE WOODS

MEMORANDUM

Date: June 27, 2023

RECEIVED

To: Mayor Bryant and City Council

JUN 30 2023

From: Shawn Murphy, Treasurer/Comptroller
Frank Schulte, City Administrator

CITY OF GROSSE POINTE WOODS
CLERK'S DEPARTMENT

Re: Public Act 202 – Corrective Action Plan-Pension and Supplemental Annuity

On January 6, 2023, the City received the attached letter from the State of Michigan Local Retirement Reporting Team that pursuant to Public Act 202 of 2017 (the Act), one (or more) of our retirement systems has triggered a preliminary review of underfunded status.

Based on the State's review, the GPW Retirement System and GPW Supplemental Annuity are underfunded as of fiscal year end June 30, 2022. Primary government triggers of underfunded status are less than 60% funded AND greater than 10% Actuarial Determined Contributions (ADC)/Governmental fund revenues.

June 30, 2022 funding status is as follows:

GPW Retirement System	GPW Supplemental Annuity
Funded Ratio: 54.8%	Funded Ratio: 59.7%
ADC/Governmental Fund Revenues: 10.3%	ADC/Governmental Fund Revenues: 10.3%

At the February 2, 2023 Pension Board meeting Foster and Foster Actuaries and Consultants presented fiscal year June 30, 2022 actuary reports to the Pension Board. Discussion regarding the reports resulted in the Pension Board to accept the actuarial recommendation of performing an Actuarial Experience Study as required by Public Act 202.

The Actuarial Experience Study was presented to the Pension Board at the May 4, 2023 board meeting, with additional recommendations presented at a Special Pension Board meeting on June 1, 2023. After reviewing the information presented, the board approved the following recommendations:

- Decrease the amortization period from 25 years to a 20 year closed amortization for a period of 5 years and after 5 years the plan will remain at a 15 year open amortization period
- Decrease the assumed rate of investment return from 7.5% to 7.4% with an intention of lowering it .1% a year for the next 5 years
- Update the payroll growth assumption from 3.5% to 3.00%,
- Adjust the age based retirement tables
- Adjust the age and service-based retirement rates
- Simplify the disability rate to 0.20% for general employees and 0.60% for public safety employees
- Add the cost of administrative expenses paid from the trust

The City is required to submit a Corrective Action Plan for both the GPW Retirement System and the GPW Supplemental Annuity. The following documents were submitted to the State of Michigan Local Retirement Reporting Team for review on June 26, 2023.

- Corrective Action Plan application for the GPW Retirement System and GPW Supplemental Annuity
- Actuarial Experience Study dated April 24, 2023 prepared by Foster and Foster Actuaries and Consultants with supplement information dated May 16, 2023 and June 20, 2023
- Approved motion by the Pension Board authorizing the recommendations of the assumption changes made by Foster and Foster Actuaries and Consultants
- ADC Analysis
- Cost impacts of the EROP program and multiplier changes for Public Safety and Command Officers as prepared by Foster and Foster Actuaries and Consultants
- City Council approval of the FOP Collective Bargaining Agreement that included the EROP program and the proposed change to the PSO pension multiplier.
- City Council approval of the budget transfer of \$39,704 to the GPW Retirement System as required under Section 5 of 2017 Public Act 202

I respectfully request City Council approve the Corrective Action Plan as presented. Upon approval, the approved motion will be forward to the State of Michigan Local Retirement Reporting Team.

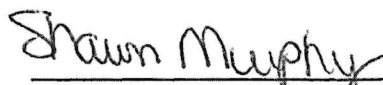
The assumption changes that were approved by the Pension Board on June 1, 2023 will be applied to the pension valuation dated June 30, 2023 and will be applicable to fiscal year beginning on July 1, 2024.

The combination of the newly adopted plan assumptions will create an increase in annual retirement system contributions of approximately \$320,400, totaling \$2,199,401 and a decrease in the supplemental annuity benefit contributions of approximately \$6,000, totaling \$271,292.

With the implementation of the assumption changes not being applicable until fiscal year beginning July 1, 2024 and a current General Fund Balance in excess of 5.6 million dollars, we respectfully request City Council to consider approving a budget transfer in the amount of \$300,000 from General Fund to the Retirement System in fiscal year 2023-2024. The budget transfer will require budget amendment from account 101-000-692.100-Transfer from Prior Year Reserve to account 101-967-995.731-Transfer to Pension Fund. Upon approval, a transfer of \$300,000 to the Grosse Pointe Woods Retirement System fund held at Charles Schwab will be completed.

In addition, we also recommend to City Council that during future budget discussions, the City consider adding funding to the annual budget in addition to the ADC. This will help reduce the unfunded liabilities and allow for potential increased investment income.

Thank you for your consideration.


Shawn Murphy, Treasurer/Comptroller


Frank Schulte, City Administrator