

Outlook

Re: Subject: Follow-Up Request - 2027 General Fund Financial Reconciliation

From Kaitlyn Aldrich <kaldrich@ci.ludington.mi.us>

Date Thu 9/24/2026 12:29 PM

To WarhawksD52 <>

Cc Deb Luskin <dluskin@ci.ludington.mi.us>; Renee Caithamer <rcaithamer@ci.ludington.mi.us>; Jeff Henry <>; John Terzano <jterzana@ci.ludington.mi.us>

Good afternoon, Mr. Jensen,

Thank you for your detailed follow-up. I understand the reconciliation you are requesting and agree that it is important to distinguish between the July financial projection, subsequent budget discussions, and items that have actually been implemented.

The City does not yet have a working 2027 budget incorporating all of these items. The \$523,800 projected General Fund operating deficit presented in July was a planning projection based on the assumptions available at that time. It was intended to identify the magnitude of the structural issue facing the General Fund and begin the budget discussion with City Council; it was not a completed 2027 budget.

Since July, some of the options discussed have been implemented, some remain under consideration, some are the subject of studies that are not yet complete, and other projected costs have changed as new information has become available.

With that distinction in mind, I can provide the following clarification based on what we know today.

July Expenditure Reductions

The July presentation identified approximately \$394,497 in potential expenditure reductions for 2027.

Approximately \$156,497 of those reductions have been implemented by the City to date, including the healthcare changes discussed with Council and elimination of a DPW position through attrition.

An additional \$138,000 was associated with election equipment anticipated for 2027. That expenditure has since been removed entirely from the State of Michigan's 2027 budget. Therefore, the City is no longer anticipating that expenditure in 2027, although that change resulted from the State's budget rather than a City budget action.

Council has not yet made a decision regarding the Sidewalk 50/50 Program or beach patrol. Those potential reductions should not be treated as implemented savings at this time.

Property-Tax Administration Fee

The approximately \$160,000 property-tax administration fee has been approved. This revenue was not included in the \$8.339 million revenue projection presented in July and therefore was not reflected in the original \$523,800 projected deficit.

When incorporated into the 2027 budget, this will represent additional General Fund revenue compared with the July projection.

Rental Inspection Program

No additional rental-inspection revenue has been incorporated into the City's 2027 projection.

Flywheel is currently studying the City's long-term rental inspection program, including its fee structure. We anticipate that work will be completed and presented to City Council in November. The study is expected to include recommendations regarding adjustments to long-term rental rates; however, Council has previously expressed hesitation about increasing those rates. Until the study is completed and Council considers its recommendations, we cannot reasonably assume additional revenue for 2027.

The rental rehabilitation program is separate from the General Fund and is not part of the General Fund 2027 projection.

Enterprise Cost Allocations

No revised enterprise allocation figure is currently available. Plante Moran is just beginning its study of the City's allocation of costs among funds, and we do not anticipate having those results until near the end of the year.

Accordingly, no General Fund savings or additional revenue associated with revised allocations has been assumed at this time.

Proposed Special Assessments

Neither the proposed \$144,450 Street Lighting Special Assessment nor the proposed \$489,075 Public Safety Special Assessment is included in any current City financial projection.

Both remain proposals under consideration by City Council. Neither should be treated as existing General Fund revenue or as an approved reduction of the projected deficit at this time.

The September 28 hearings are the first public hearings in that process. Establishing a district does not confirm an assessment roll or establish a final property-specific assessment.

Updated and Additional Expenditures

The \$10,000 Hurst extrication equipment expenditure and approximately \$4,000 increase in Fire Department radio costs identified in the Public Safety Special Assessment report reflect updated departmental needs that have emerged during the ongoing budget-development process. These costs are included in both special assessments and are not separate line items. You will see the \$14,000 increase when a draft of the 2027 budget is prepared.

We have also now received the City's updated health insurance rates. The 2027 budget projection assumed approximately a 9% increase in health insurance costs. The actual increase is 13.9%. Therefore, although employee healthcare cost-sharing changes have been implemented, the underlying cost of providing that insurance is also higher than originally projected.

There are several other significant 2027 expenditures that either remain unknown or were not included in the July projection.

The projection does not include the financial impact of the FOPLC collective bargaining agreement or the results of negotiations with SEIU. The current SEIU agreement expires at the end of 2026, and those negotiations have not yet occurred. Until those labor costs are known, we cannot accurately project the City's total 2027 personnel expenditures.

The 2027 operating projection also does not include the City's 2027 General Fund Capital Improvement Program projects. Those capital needs must be considered separately as the 2027 budget is developed.

Other unknowns include the cost of a new assessor and training associated with the transition to a new City Clerk. Additionally, if the City is unable to hire a Finance Director, outside CPA services will likely represent a significant expense. Governmental accounting is specialized, and the City's financial operations include significant bonds, OPRAs, IFTs, and other governmental accounting requirements that must be administered and reported appropriately.

Where That Leaves the \$523,800 Projection

For all of these reasons, I cannot accurately provide a complete reconciliation from the July projection to a new projected 2027 General Fund surplus or deficit today. Doing so would imply that the City has a current working 2027 budget in which all of these changes and outstanding costs have been incorporated. We do not.

What we can identify today is that:

- approximately \$156,497 of the July expenditure-reduction recommendations have been implemented;
- the anticipated \$138,000 election equipment expenditure is no longer expected in 2027 because it was removed from the State budget;
- approximately \$160,000 in property-tax administration fee revenue has been approved and was not included in the July projection;
- Council has not acted on the Sidewalk 50/50 Program or beach patrol;
- no additional rental-inspection revenue has been assumed;
- no revised interfund cost allocation has been assumed;
- neither proposed special assessment has been incorporated into a financial projection;
- health insurance costs are increasing by 13.9% rather than the 9% assumed in July;
- the financial effects of collective bargaining are not fully incorporated;
- the 2027 General Fund CIP is not included in the \$523,800 operating-deficit projection; and
- several other 2027 expenditures remain unknown as the budget is developed.

There are therefore changes since July that will improve the General Fund position and others that will increase expenditures. There are also significant items for which no reliable dollar amount exists yet. Subtracting only the known favorable changes from \$523,800 would produce a number, but it would not produce a complete or reliable 2027 General Fund budget projection.

That is why the September special-assessment reports continue to reference the \$523,800 figure. It is the established baseline operating projection that prompted the broader financial discussion; it is not being represented as a fully updated 2027 budget.

The City's budget process is iterative; it's also a living document which is why budget amendments are made throughout the year. Staff will continue incorporating updated revenues, expenditures, personnel costs, collective bargaining impacts, insurance rates, capital needs, professional services, cost allocations, and Council policy decisions as the proposed 2027 budget is developed. Once that work is sufficiently complete, we will be able to provide the apples-to-apples reconciliation you are requesting.

I appreciate your effort to ensure that figures from different stages of the process are not being counted twice. I hope this provides additional clarity regarding what has and has not changed since the July presentation and, importantly, what remains unknown today.

Thank you,

Kaitlyn

From: WarhawksD52 <> Sent: Thursday,
September 24, 2026 8:18 AM
To: Kaitlyn Aldrich <kaldrich@ci.ludington.mi.us>

Cc: Deb Luskin <dluskin@ci.ludington.mi.us>; Renee Caithamer <rcaithamer@ci.ludington.mi.us>; Jeff Henry <jffhenry@comcast.net>

Subject: Subject: Follow-Up Request — 2027 General Fund Financial Reconciliation

Dear City Manager Aldrich,

I am following up on the financial reconciliation question I raised during public comment at the September 14, 2026 City Council meeting concerning the City's projected 2027 General Fund operating deficit and the proposed street-lighting and public-safety special assessments.

At that meeting, I asked whether the City could provide one reconciliation using a single version of the 2027 General Fund budget, beginning with the reported \$523,800 projected operating deficit, and showing which expenditure reductions, new revenue sources, restored expenditures, cost-allocation changes, and proposed special assessments are included or excluded.

I want to reiterate that I am not asserting that the proposed assessment amounts represent excess revenue or an overcharge. I am trying to understand how the various figures presented publicly since July fit together and what the City's current projected 2027 General Fund position actually is.

The City's July 13 presentation identified projected 2027 General Fund revenue of approximately \$8.339 million, expenditures of approximately \$8.863 million, and an operating deficit of \$523,800. That presentation then identified approximately \$394,497 in recommended expenditure reductions and calculated a remaining structural gap of \$129,303.

Subsequent materials have identified additional measures, including an approximately \$160,000 property-tax administration fee, changes to rental-inspection fees, possible revisions to interfund cost allocations, a proposed \$144,450 street-lighting special assessment, and a proposed \$489,075 public-safety special assessment.

The September public-safety materials also identify expenditures that have changed since the earlier projection, including restoration of \$10,000 for a Hurst extrication tool/Jaws of Life and an approximately \$4,000 increase in Fire Department radio costs.

Because the September special-assessment reports continue to reference the original \$523,800 projected deficit, I would appreciate clarification of how all of these items are treated in the City's current 2027 projection.

Specifically, could the City please provide a reconciliation identifying the treatment and General Fund effect of the following:

1. The original \$523,800 projected 2027 General Fund operating deficit.
2. Each of the approximately \$394,497 in expenditure reductions recommended in July, identifying which have been incorporated into the current proposed 2027 budget, which have not, and the current estimated savings for each.
3. The approximately \$160,000 property-tax administration fee, including whether that revenue was already included in the \$8.339 million July 13 revenue projection or was additional to that projection.

4. Any changes in projected revenue associated with the rental-inspection program.
5. Any changes in General Fund revenue or expenditures resulting from revised interfund overhead/cost allocations.
6. The proposed \$144,450 Street Lighting Special Assessment, and whether that amount is included in the City's current 2027 General Fund projection.
7. The proposed \$489,075 Public Safety Special Assessment, and whether that amount is included in the City's current 2027 General Fund projection.
8. The \$10,000 Hurst/Jaws of Life expenditure that the Public Safety report states had previously been removed from the 2027 projection and has now been restored.
9. The approximately \$4,000 increase in Fire Department radio costs identified in the September Public Safety report.
10. Any other material revenue or expenditure changes made to the 2027 General Fund projection since the July presentation, including any revisions to anticipated employee health-insurance savings following the City's receipt of the updated insurance rates discussed at the September 14 meeting.

If possible, the clearest response would be a simple bridge such as:

July 13 projected deficit
+/- expenditure changes
+/- revenue changes
+/- restored or newly identified expenditures
+ proposed assessment revenues/General Fund relief
= current projected 2027 General Fund surplus/(deficit)

Alternatively, if the City has a current working or proposed 2027 General Fund budget that already contains this information, providing that document together with an indication of which of the above items are incorporated would answer the request.

My purpose is simply to make sure the different figures presented since July are being compared on the same basis and counted only once.

Because the first public hearings on the proposed special-assessment districts are scheduled for September 28, I would appreciate the information before the hearing if reasonably possible. Having the current reconciliation available would help property owners and Council evaluate the proposals using the City's current financial assumptions rather than attempting to combine figures from different stages of the budget process.

Thank you for your assistance.

Sincerely,

Daniel W. Jensen