

TO: Mayor Amy Shamroe and City Commission  
COPY: Department Director Leadership Team  
FROM: Benjamin Marentette, City Manager  
DATE: Monday, May 11, 2026  
SUBJECT: FY 2026/2027 City Manager Proposed Budget – Questions & Answers

**1. With a staffing cap, will greater productivity be needed to support growth? Will that be technology-driven?**

The staffing cap is not intended to be permanent and will be evaluated annually to ensure departments can continue operating effectively and efficiently. In addition, the City is actively exploring software solutions and process improvements, including AI, that are expected to enhance operational efficiency and support productivity as service demands grow.

**2. How will we measure service delivery to ensure there are no declines?**

Department Directors will continue to monitor service delivery and public interactions within their respective areas, and proactive dialogue with the City Manager is encouraged and expected. Any potential concerns related to service levels or operational capacity will be identified, reviewed, and discussed during regular team and budget meetings to ensure issues are addressed proactively and service standards are maintained.

The City is also implementing a new organizational accountability system tied to OKRs and additional performance metrics established by the City Manager.

**3. Is there general interest in establishing new revenue streams? If so, should we invest resources in that effort?**

Departments continually explore opportunities to diversify revenue sources through grants, donations, and other funding opportunities. The City has also evaluated potential new revenue mechanisms that could support long-term operational and capital needs.

At the legislative level, the City Manager has supported efforts to authorize an Airbnb room tax; however, implementation is dependent upon state legislation. Additional information regarding strategy development is forthcoming.

The City Manager is also engaging in relationship development at the federal and state level and is optimistic these efforts may result in substantial additional funding opportunities.

In coordination with the City Manager, the City Assessor is exploring the feasibility of a Police and Fire/EMS cost recovery structure related to PILOT (Payment in Lieu of Taxes) properties.

Additionally, the City has issued an RFP for a comprehensive water and sewer rate study anticipated for implementation in FY 2027/2028. The study is expected to modernize the rate structure and may include lateral and riser fees for new construction connecting to City infrastructure.

Concurrently, the City will renegotiate wholesale sewer and water agreements with surrounding townships to increase wholesale rates and incorporate annual escalators. These efforts are intended to help address future infrastructure costs while maintaining manageable retail rates for City customers.

If construction of a new fire station is ultimately deemed necessary, additional voter-approved millage funding would likely need to be considered. The City Manager also intends to develop a comprehensive long-term funding strategy over the next 18 months in response to increasing fiscal pressures.

The City Commission Ad Hoc Committee, which includes the City Manager and is proposed to include the City Treasurer/Finance Director, will begin meeting in September to review the Fund Balance Policy and long-range financial forecasts.

#### **4. In forecasts of revenue and expenses for the next three years, is all growth inflation-based? If so, what inflation rate is being used?**

No. Projected growth is not based solely on standard inflationary assumptions. Revenue and expenditure forecasts are developed using a combination of contractual obligations, historical trends, operational assumptions, and planned capital investments.

Key assumptions include:

- Property tax projections based on taxable value growth, uncapping due to transfers of ownership, Inflation Rate Multiplier (IRM) adjustments, existing millage rates, development activity, and expiring TIF districts.
- Payroll projections based on labor agreements, including step increases, COLAs, and attrition assumptions.
- Employee benefit projections, particularly health insurance, reflecting higher annual increases based on current trends and benefit advisor guidance.
- Capital expenditures projected from the Capital Improvement Program (CIP) and anticipated project schedules.

**5. Have property taxes (excluding new construction and uncapping) grown faster than inflation over the last 5 or 10 years?**

No. Property taxes are capped by both the Headlee Amendment and Proposal A. Proposal A limits taxable value growth to the annual Inflation Rate Multiplier (IRM) established by the State Tax Commission. As a result, property taxes have not grown faster than inflation since Proposal A was adopted in 1994.

**6. Payroll growth rationale (4.28% in FY 2026/27; 4.13% in FY 2027/28; 3.8% in FY 2028/29)?**

Budgeted payroll increases reflect negotiated labor contract provisions, including:

- 4% wage increases in FY 2026/27
- 3% wage increases in FY 2027/28 and FY 2028/29

Health insurance projections assume:

- 9% increases in FY 2026/27
- 12% increases in FY 2027/28 and FY 2028/29

Staff reallocations have primarily occurred through attrition. The transfer of the City Attorney from personnel to contractual services also contributed to reductions from FY 2025/26 to FY 2026/27. The City Manager will continue evaluating staffing reallocations and possible eliminations through attrition where appropriate.

**7. What explains the significant revenue and expenditure declines projected for FY 2028/29?**

The fluctuations reflected on page 27 are primarily tied to one-time capital projects, grant funding, and infrastructure financing rather than ongoing operational activity.

Key examples include:

**Water Fund (Pages 263–277)**

Variations are related to planned federal grant activity for future infrastructure improvements.

**Wastewater Fund (Pages 247–261)**

Increases in FY 2026/27 and FY 2027/28 are largely due to State Revolving Fund (SRF) loan proceeds tied to wastewater treatment plant projects. Revenues and expenditures decline after project completion.

### **Capital Projects Fund (Pages 218–221)**

Revenue increases reflect the timing and scale of planned capital projects.

### **Street Capital Projects Fund (Pages 211–214)**

Revenue fluctuations relate to transfers from Fund 499 to Fund 447 and planned CIP activity.

Additional EMS Ambulance Fund expenditures include six anticipated EMS positions and operational expansion costs, including facility upgrades, training, fleet expenses, and medical equipment replacement.

## **8. Why has most taxable value growth since 2024 been residential rather than commercial?**

Much recent development activity has been mixed-use, with residential components representing a significant portion of new value. Residential property transfers have also outpaced commercial transfers due in part to the substantially higher number of residential parcels citywide.

## **9. Are increases in residential taxable values a concern relative to affordability, inclusivity, and gentrification?**

This is an appropriate topic for broader City Commission discussion. The City Manager is also available for individual conversations on these policy considerations.

## **10. How does Traverse City's 27% tax retention rate compare to nearby jurisdictions?**

Please refer to the 2025 Michigan Total Property Tax Rates report.

## **11. What is the current operating millage?**

The proposed FY 2026 operating millage is 11.5358 mills. Please see page 38.

**12. How has the operating millage been impacted by Headlee rollback, and how does it compare to other communities?**

The City Charter maximum operating millage is 15.000 mills. Traverse City's rates remain generally competitive compared to other full-service Michigan municipalities providing police, fire, parks, streets, sidewalks, and infrastructure services.

Compared to nearby townships, the City's millage rate is higher, which reflects the broader range of services provided directly by the City.

**13. How does the proposed 1% General Fund allocation for homelessness compare to other municipalities?**

The proposed General Fund contribution is 1%, as shown on page 46. Additional homelessness-related funding requests are anticipated through the CDBG program and will come before the City Commission for approval.

Relevant organizations include:

- Housing & Homeless Task Force
- Northwest Michigan Coalition to End Homelessness

**14. Are homelessness-related expenditures projected at approximately \$525,000 in FY 2026/27?**

Potentially. The estimate includes anticipated CDBG allocations and possible sidewalk improvements. Final allocations have not yet been approved.

For additional detail:

- ClearGov / ClearDocs: Page 44
- Downloaded budget document: Page 12

**15. Will City Attorney goals be developed following appointment of a municipal law firm?**

This will ultimately be determined by the City Commission. The recommendation is that the City Attorney propose goals after becoming familiar with Commission priorities.

**16. Will future MERS contribution planning be addressed by the Fund Balance Ad Hoc Committee?**

As long as the pension plan remains below 60% funded, the City must continue making additional contributions under state requirements. Once the plan exceeds the 60% threshold, the Ad Hoc Committee may help develop long-term funding targets and contribution strategies.

**17. What was determined regarding notifications related to the 2024 cyber incident? Are additional expenditures expected?**

Notifications related to the 2024 cyber incident have been completed. Associated costs were covered by cyber insurance, and no further expenditures are anticipated.

**18. Could Engineering and Mobility Infrastructure collaborate on ADA accessibility goals?**

The City has historically addressed ADA issues reactively as projects arise. A citywide inventory of detectable warning plates and sidewalk ramps has been completed, though full compliance would require a substantial capital initiative.

This is considered an important future goal area for expanded planning and implementation.

**19. What is the status of the Oakwood Cemetery digital records project?**

The project is approximately 50% complete. Remaining funding is included in the current budget, with anticipated completion in 2027. The project is funded through the Perpetual Care Fund.

**20. Is the Planning Department the appropriate place to lead environmental and economic initiatives?**

The Planning Department is responsible for implementation of the Master Plan, which includes sustainability and economic development initiatives. These responsibilities are coordinated collaboratively with multiple departments and community partners.

Questions regarding expanded code enforcement and neighborhood character preservation are appropriate for broader City Commission discussion.

## **21. What are the goals and rationale behind Planning Department expenditure growth?**

The City is working toward greater consistency across departments. Going forward, all departments will be required to include goals within the budget document.

## **22. Why is Parks & Recreation responsible for snow removal and low-impact event permitting?**

Parks & Recreation currently provides setup and teardown for the 8th Street Social District and performs related operational responsibilities. Additional department goals will be incorporated in future budgets for consistency.

## **23. What justifies the FY 2026/27 Parks & Recreation budget request of approximately \$2.3 million?**

More than 70% of the department budget is attributable to personnel and Fleet Management rental costs. Major capital projects are budgeted separately through Capital Projects or Brown Bridge Trust funds.

## **24. Should the Budget Stabilization Fund be incorporated into the Fund Balance Policy review?**

The fund is reviewed annually for compliance, but there may be value in formally integrating it into the broader Fund Balance Policy review process.

Regarding the Carnegie Building, the long-term goal is for lease revenue to fully offset operational costs and potentially contribute toward major maintenance needs. Future projections remain dependent on ongoing facility evaluations.

**25. Is there opportunity to increase Senior Center revenues?**

The Senior Center is funded through a countywide millage administered by Grand Traverse County under a 10-year contractual structure. Additional revenue opportunities would likely require changes to the current agreement or service model.

**26. Should the Coast Guard Committee receive more meaningful funding or be dissolved?**

The committee would prefer meaningful funding to support Air Station Traverse City initiatives, including park enhancements and commemorative projects.

**27. Should the Banner Program be absorbed by DTCA?**

The former Britten Banner program has ended. The City retained the banner hardware for potential future municipal use. Maintaining the fund preserves flexibility for future banner-related initiatives.

**28. Has the Economic Development Fund outlived its usefulness?**

This may warrant broader discussion regarding reserve and special revenue fund structures. However, the fund currently supports obligations tied to TCLP and related interfund loan commitments.

**29. Should major street projects be accelerated to reduce fund balance growth?**

Increasing state gas tax revenues are expected to support additional major street projects. Staff is actively developing plans to strategically deploy these funds and expand in-house project delivery capacity.

**30. Has the EMS/Ambulance Fund budget been fully updated given implementation delays?**

The budget currently supports approved staffing and training. Additional implementation refinement is expected under the new Fire Chief and EMS Administrator. General Fund contributions will be adjusted as operational assumptions evolve.

**31. Did the City lose its Tree City USA designation?**

No. The reference should have stated 37 years rather than 36 years. This will be corrected.

**32. Why does the Police Training Fund reach zero by FY 2028/29?**

The fund is a reimbursement grant program. Funds are expended only for eligible training costs, and remaining balances are either utilized or returned as required.

**33. Should the College Parking Fund be transferred to NMC?**

This remains open for discussion. While parking enforcement activity at the college has been reduced, Parking Services still manages citations, payments, appeals, and related administrative functions.

**34. What is the impact if TIF97 is not renewed?**

Approximately \$460,000 in annual Act 345 millage revenue could be lost. However, because this millage is not subject to Headlee rollback, ARC payments should remain supportable.

**35. Why is there a spike in CDBG revenue and expenditures in FY 2026/27?**

The increase reflects implementation timing. Initial program years focused primarily on setup and agreements. The City now anticipates accelerated project implementation and drawdown of approved funds.

**36. How much of the Sidewalk & Trail Debt Retirement Fund comes from the General Fund?**

The FY 2026/27 transfer-in amount from the General Fund is projected at \$726,600.

**37. Why do Street Capital Project Fund budgets decline significantly by FY 2028/29?**

Engineering schedules projects based on available funding, grant opportunities, and project readiness. Future funding strategies continue to be developed.

**38. What explains the increase in capital spending between FY 2025/26 and FY 2028/29?**

Many large capital projects are tied to TIF funding. If TIF funding is reduced or eliminated, some planned projects may not proceed.

Projects are not authorized without identified funding sources. The City also continues annual General Fund contributions to support capital needs.

**39. What supports projected Hickory Hills revenue growth?**

Current revenues are insufficient to fully sustain expenditure growth, requiring increased General Fund support. The fund is currently subject to a State-required deficit elimination plan.

Long-term funding and operational strategies remain under review.

**40. Could Parking Services incorporate ADA initiatives into future goals?**

Yes. Parking Services is open to integrating ADA-related goals, particularly regarding placement of parking and bike facilities near accessible infrastructure.

**41. What are the funding sources for Water Treatment Plant and distribution improvements?**

Primary funding sources include wholesale and retail water sales, supplemental fees, and PFAS litigation revenue. The upcoming rate study may also recommend revised one-time connection fees.

#### **42. What repairs are causing Marina expenditure increases in FY 2026/27?**

Major planned expenditures include:

- Pedestal replacement: \$100,000
- West Wall gangway repair: \$284,000
- New hot water heater: \$22,000

#### **43. Are any IT capital outlays anticipated?**

Most traditional IT capital expenditures have been eliminated due to cloud migration and outsourced IT services. Remaining expenditures consist primarily of cabling upgrades and routine equipment replacement.

#### **44. Does Fleet Management revenue growth reflect fleet expansion?**

Yes. Increased replacement costs, EV adoption, inflation, and expanded departmental fleets all contribute to revenue growth and higher rental rates.

#### **45. Why do Communications and Parks & Recreation appear to gain positions despite the stated staffing cap?**

Vacant positions resulting from retirements are being reclassified to better align staffing resources with operational priorities. No net increase in authorized positions is proposed.

#### **46. Which top taxable value payers are located within TIF districts?**

The following entities have properties located within TIF districts:

- CEGM Traverse City LLC
- 4Front Credit Union
- PHR
- Tom's Food Market Inc.
- Regency Midwest Ventures LP
- DTE Gas Co.

#### **47. What is the budgeted amount for Traverse Connect?**

Budgeted funding:

- FY 2024/25 actual: \$52,500
- FY 2025/26 budgeted: \$11,000
- FY 2026/27 through FY 2028/29 budgeted: \$55,000 annually

#### **48. Do EMS expenses currently exceed millage revenues?**

Yes. General Fund support is still required as EMS staffing and transport capacity continue to build. Future financial stabilization will depend on achieving full staffing and expanded transport operations.

#### **49. Is there a preliminary timeline or cost estimate for future facility needs?**

The City is currently working with Plante Moran Realpoint to assess long-term facility needs. Preliminary Fire Station 1 estimates range from approximately \$1.5 million to \$2.5 million depending on scope.

Additional space opportunities may emerge following the relocation of MSU Extension from 520 W. Front Street.

#### **50. Can you clarify the policy framework regarding homelessness-related spending?**

The City intends to track General Fund homelessness expenditures through Department 302, with a target General Fund contribution of approximately 1%.

Additional funding requests have been submitted by community organizations, though no commitments have yet been approved. CDBG funds are tracked separately and may supplement General Fund contributions.

#### **51. What explains the projected Fund Balance drawdown?**

Key contributors include:

- A one-time \$1.2 million MERS contribution in FY 2025/26
- Internal transfers to the Budget Stabilization Fund
- Ongoing personnel cost growth
- Increased General Fund support for Hickory Hills

Future Ad Hoc Committee discussions are expected to help establish long-term policy direction regarding pension funding targets, stabilization reserves, and Fund Balance objectives.

## **52. Why does City Commission professional development funding decrease in FY 2028/29?**

Historically, annual professional development expenditures have averaged approximately \$7,000–\$8,000. Temporary increases in FY 2026/27 and FY 2027/28 reflect anticipated expanded training activity, while FY 2028/29 returns closer to historical levels.