



City of Hamtramck

FINANCIAL FORECAST AND TRENDS

DECEMBER 2024

Why Was Plante Moran Hired For This Study?

The City of Hamtramck has fought financial difficulties for years, making many sacrifices and difficult decisions along the way, but recent developments have exacerbated what was already a tenuous financial position.

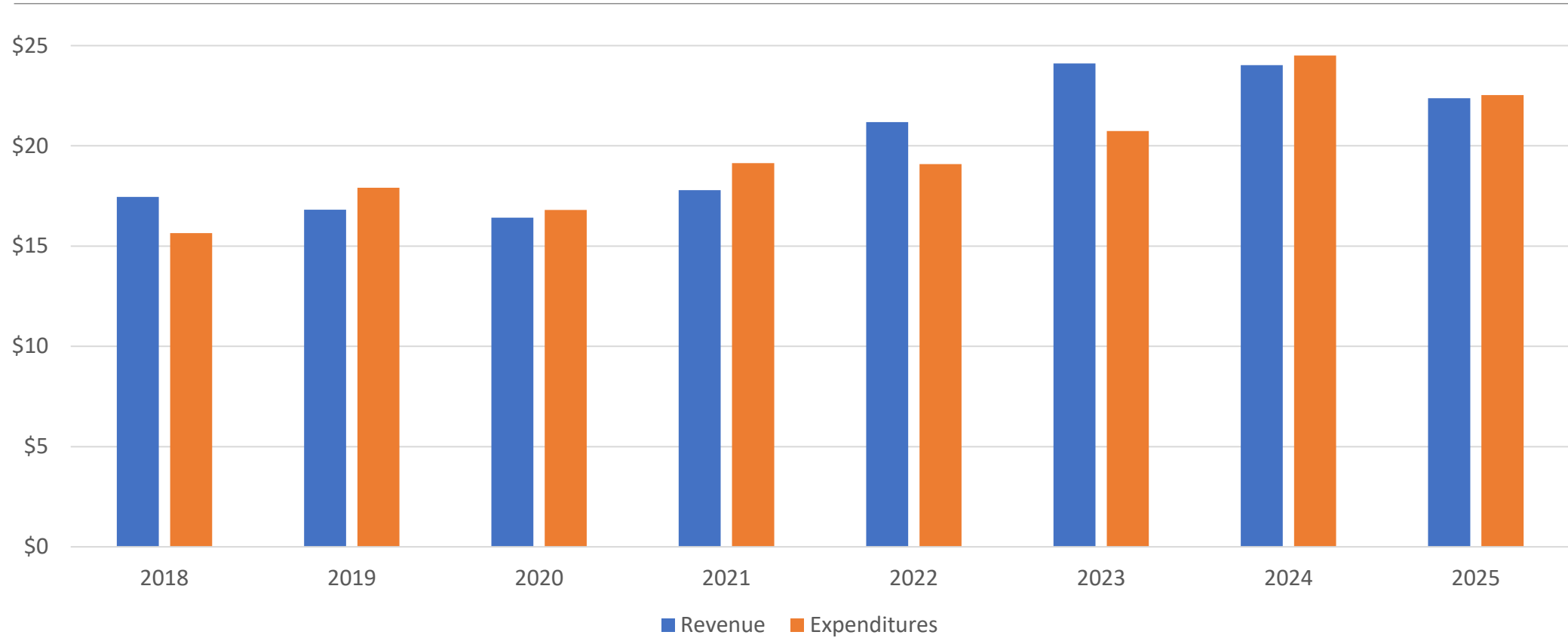
Like other cities across Michigan and the country, various economic circumstances are having a negative effect on the City of Hamtramck's current and long-term financial outlook.

We were hired by the City in 2021 to create a forecast through 2027. In 2022, 2023, and again this year, we have updated the forecast to include changes to assumptions and other events of the past year.

General Fund 2018-2025

- 2024 excludes \$16M State pension grant and MERS contribution
- 2025 is the City's current budget with a few modifications for projected outcomes, including removing Dickerson jail revenue.

In millions

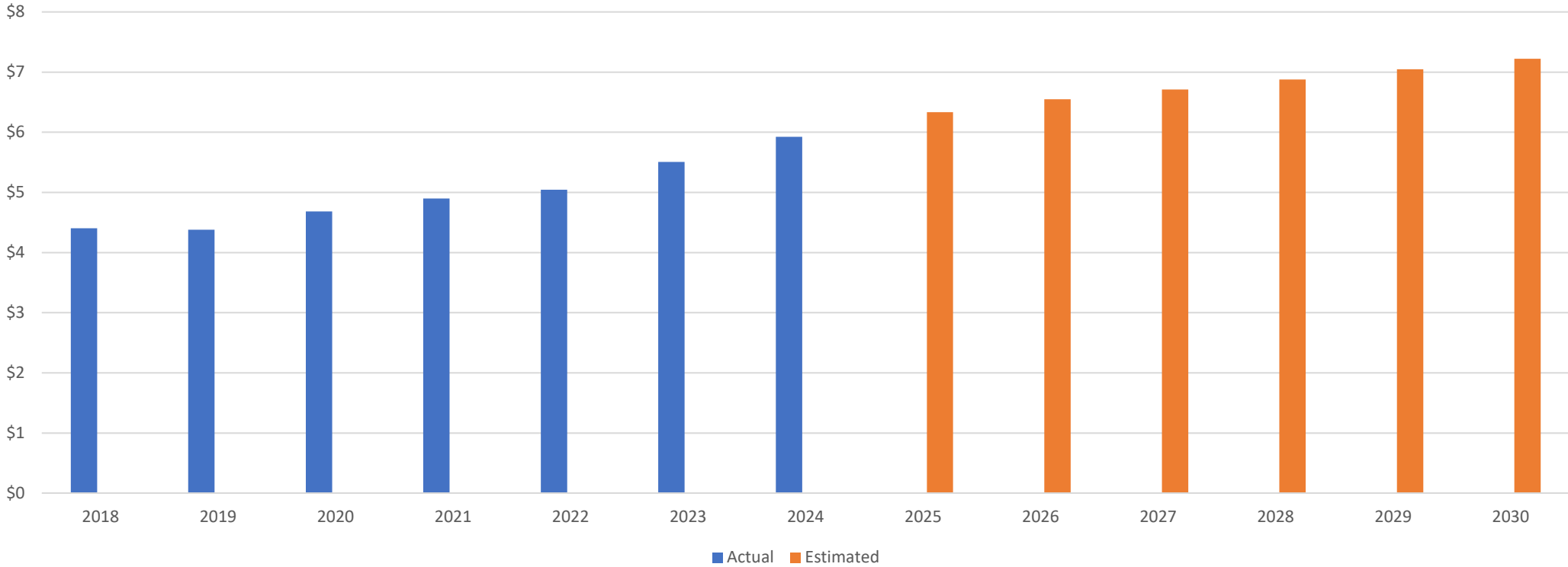


Revenue Sources

STATUS: PRESUMED STABLE

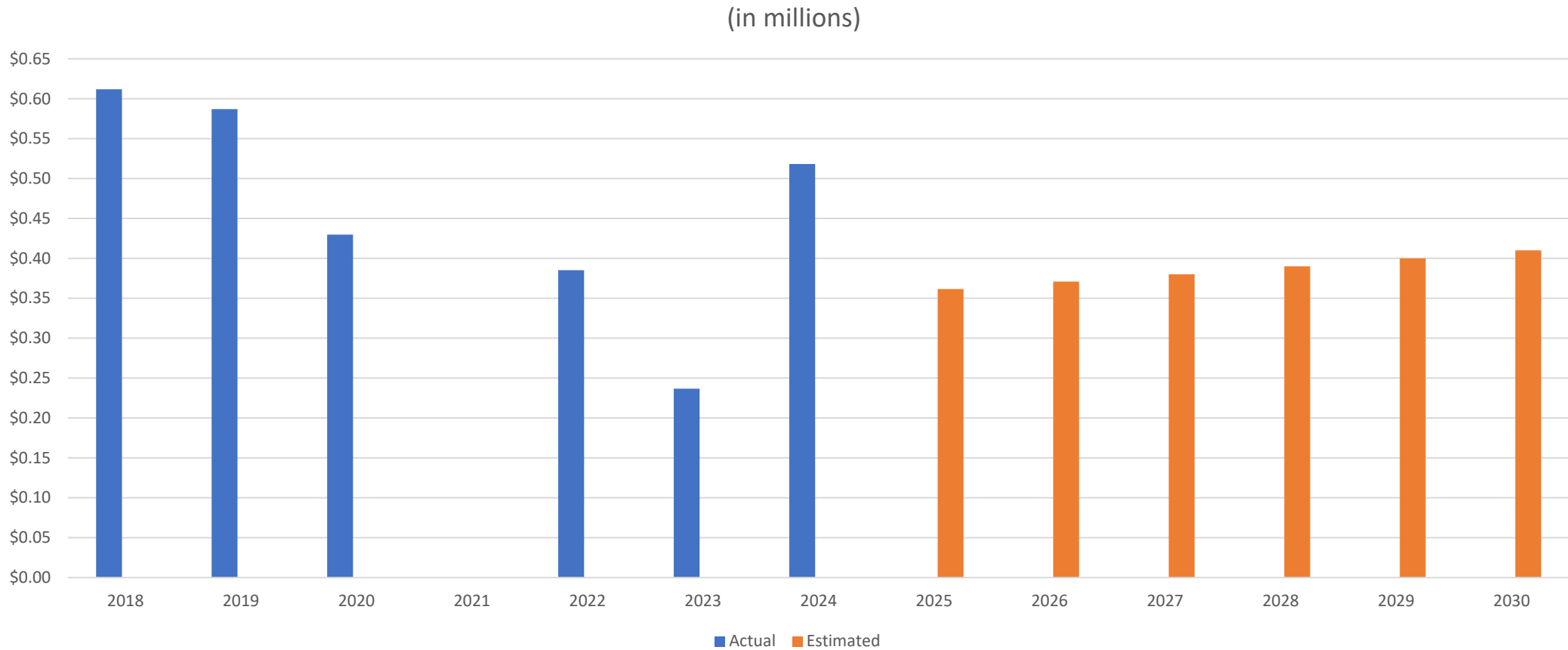
Property Taxes 2018-2030 (Excluding GM)

(in millions)



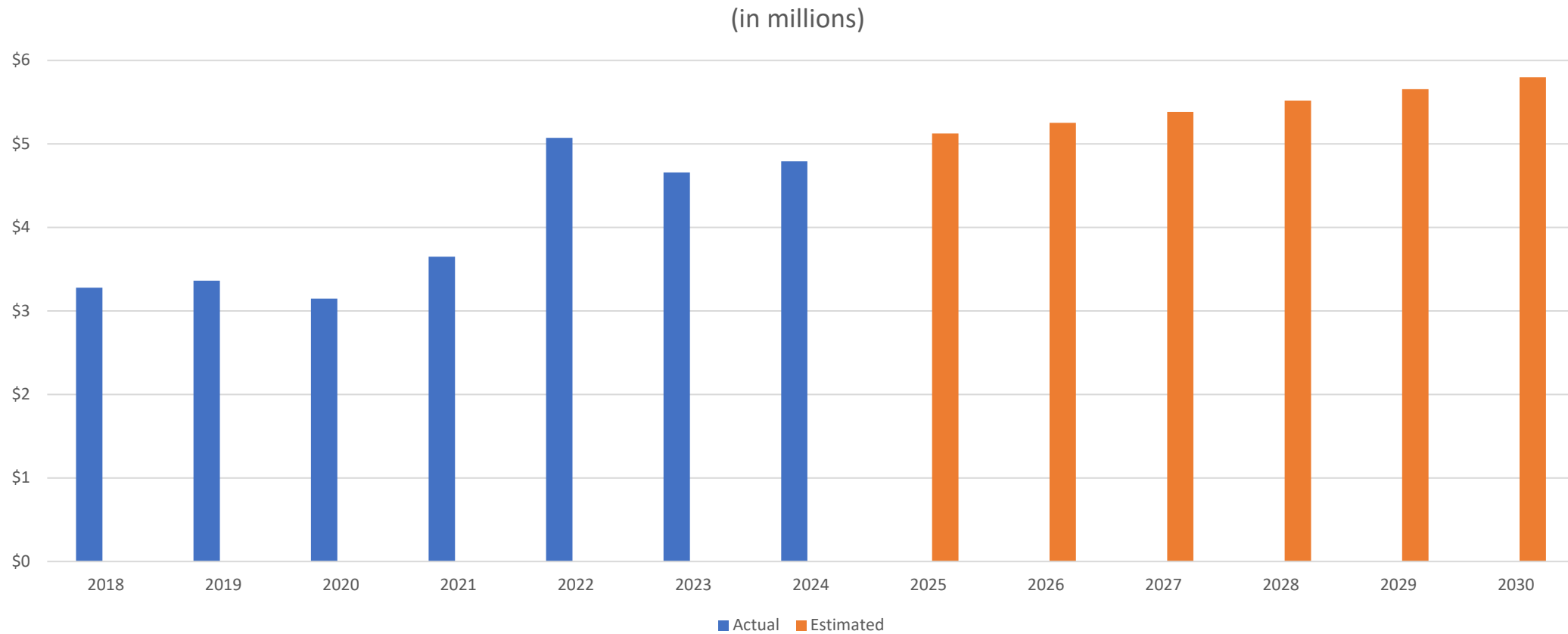
General Motors 2018-2030

Note: Assumes plant resumes operations at FY24 levels by end of 2025 and remains at that level.

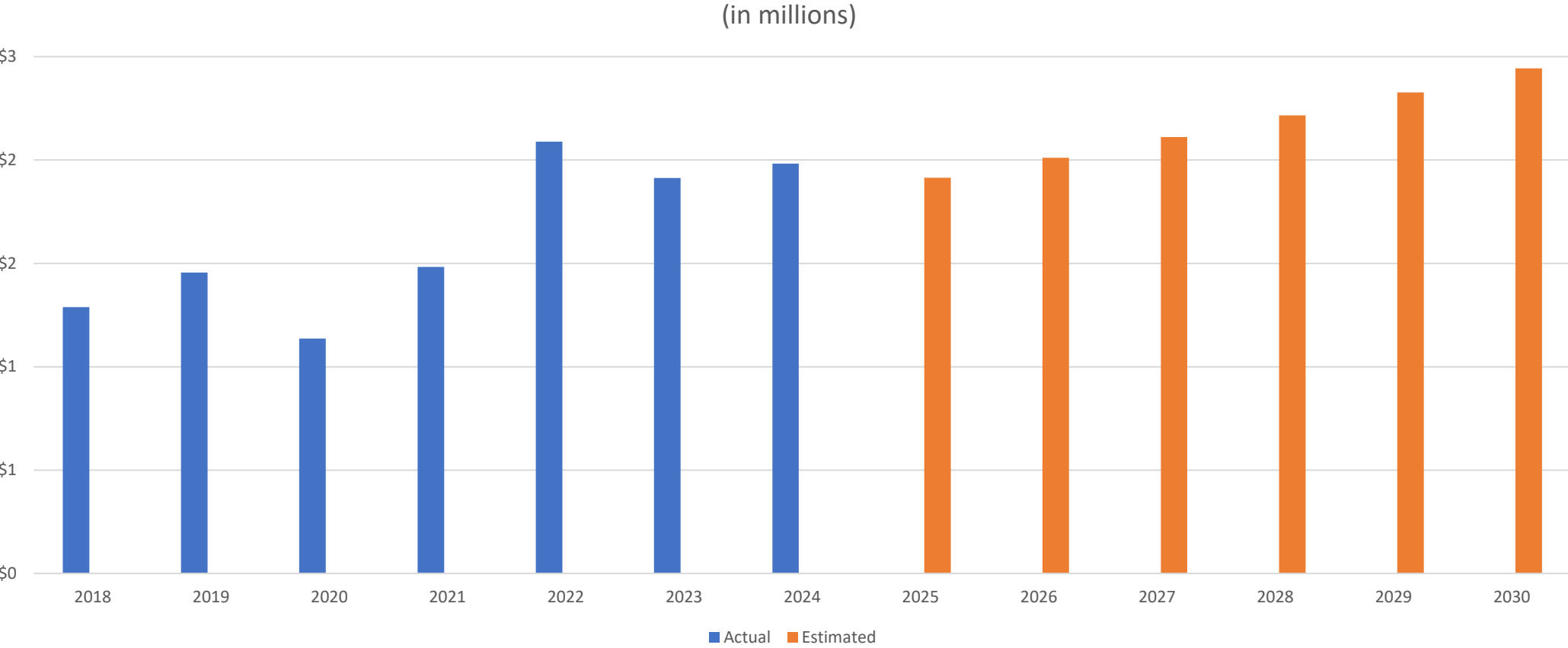


Note: FY22 includes a positive adjustment resulting from the 2020 census and the City's increasing population.

State Shared Revenue 2018-2030

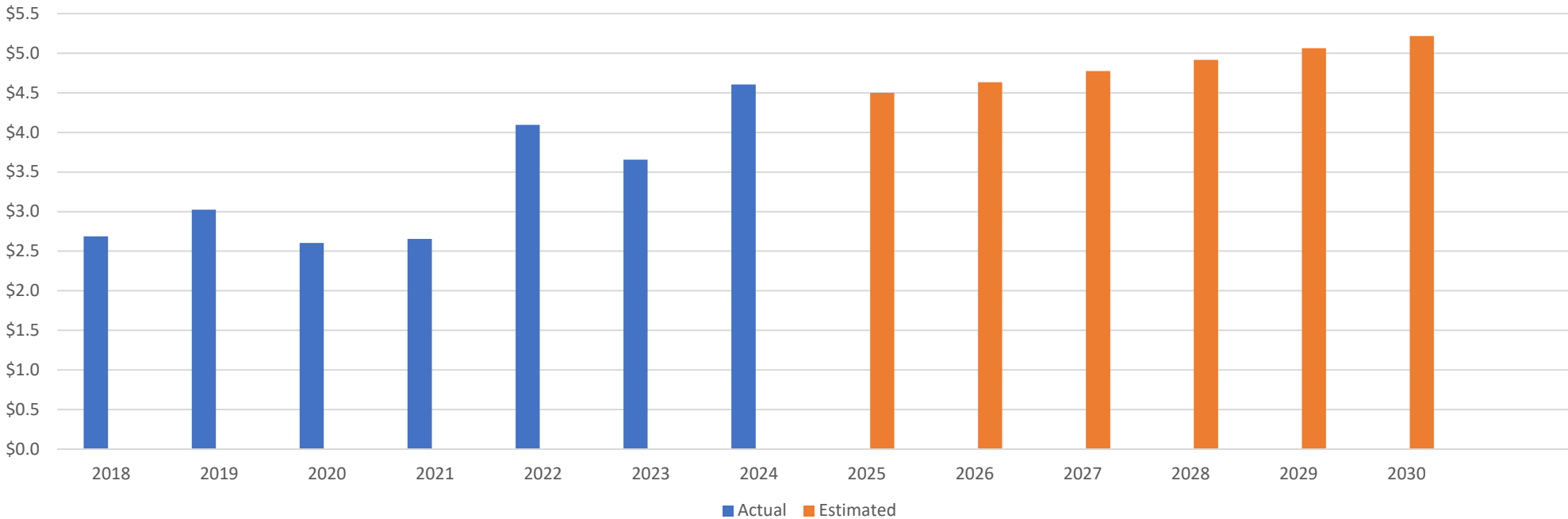


District Court 2018-2030



Income Taxes 2018-2030

(in millions)

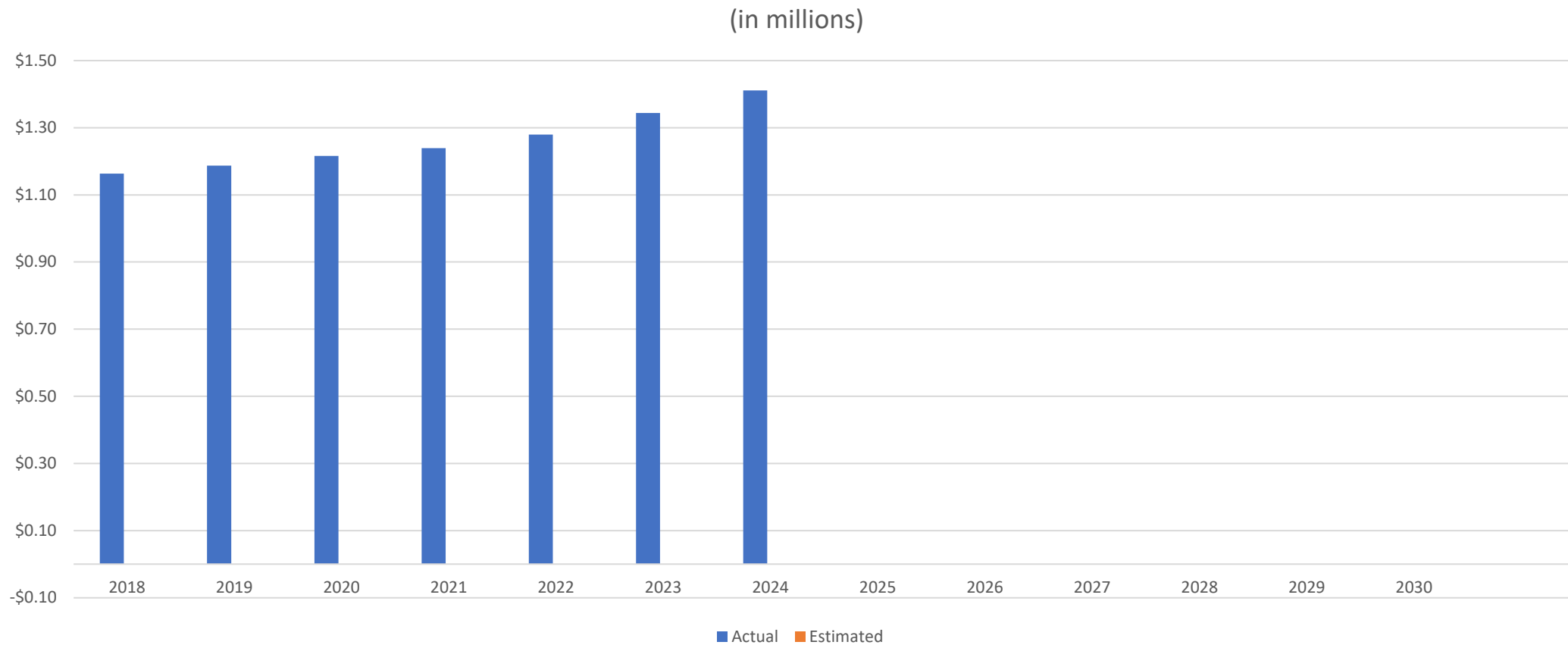


Revenue Sources

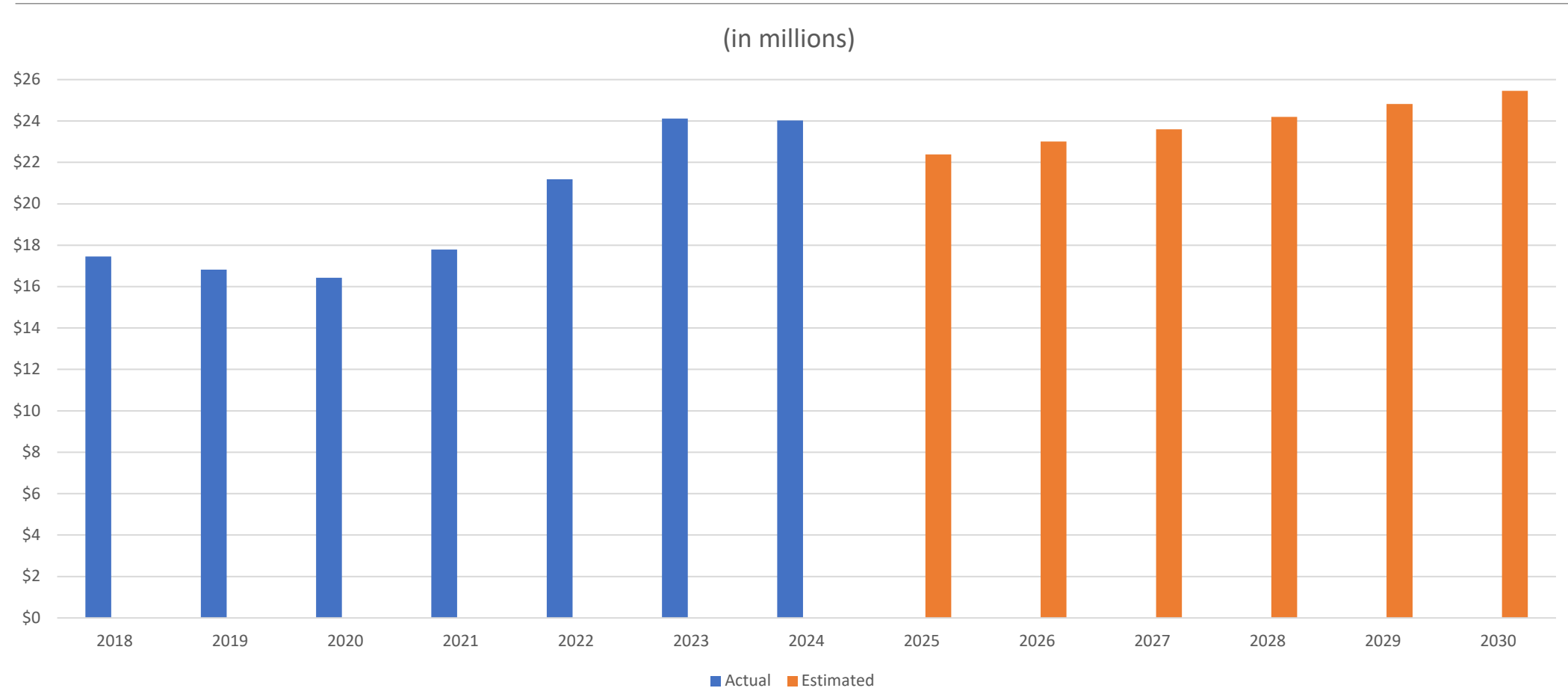
STATUS: STABILITY IN QUESTION

Wayne County Dickerson Facility 2018-2030

Note: Payments
stopped in 2024.

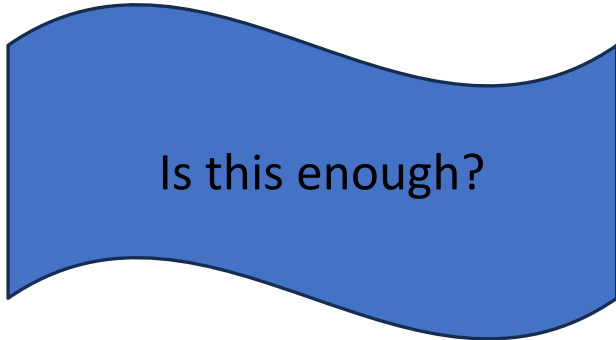


Total General Fund Revenue 2018-2030



Revenue Improvements Going Forward

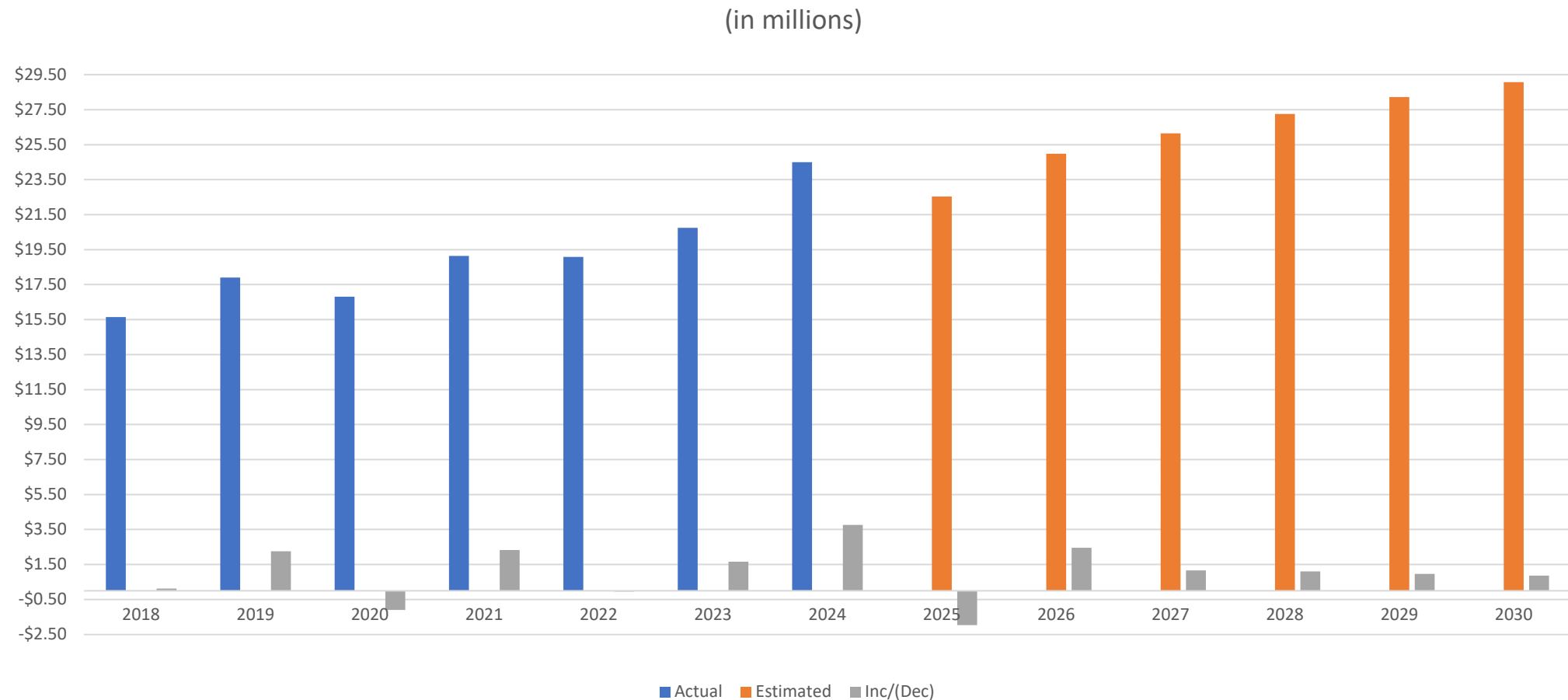
- **Property Taxes** – inflationary increases
- **State Shared Revenue** – inflationary increases
- **District Court** - full rebound from Covid (and more)
- **Income Taxes** – continued collection efforts



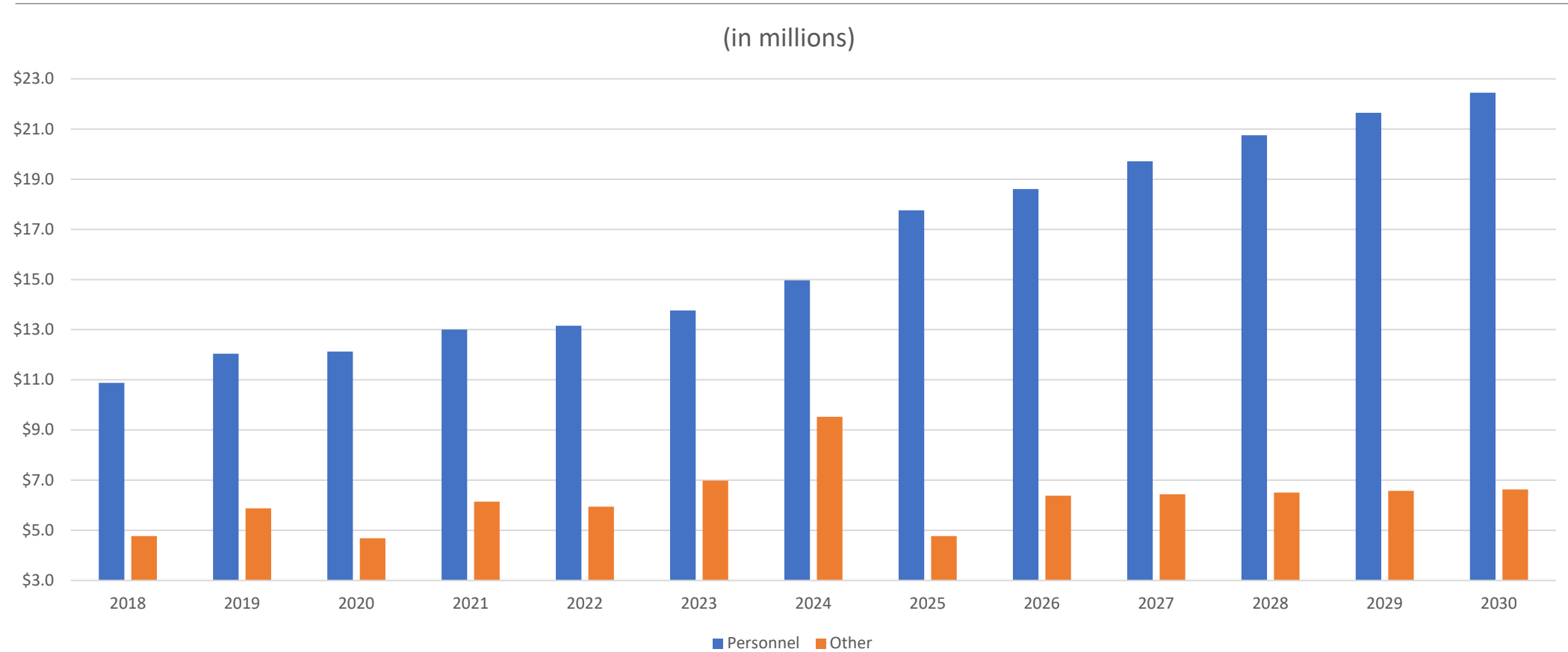
Is this enough?

Expenditures

Total General Fund Expenditures 2018-2030

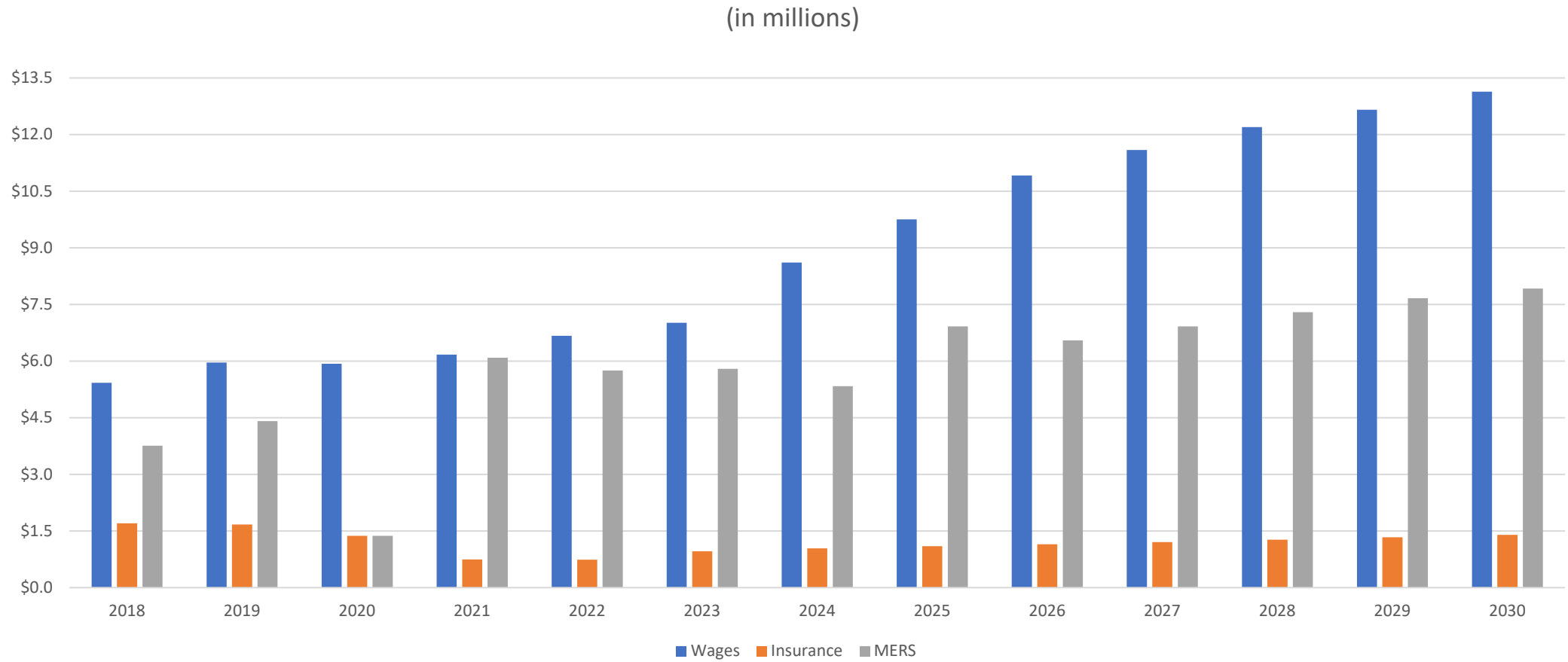


Total General Fund Expenditures 2018-2030



Note: 2024 included City Hall renovations

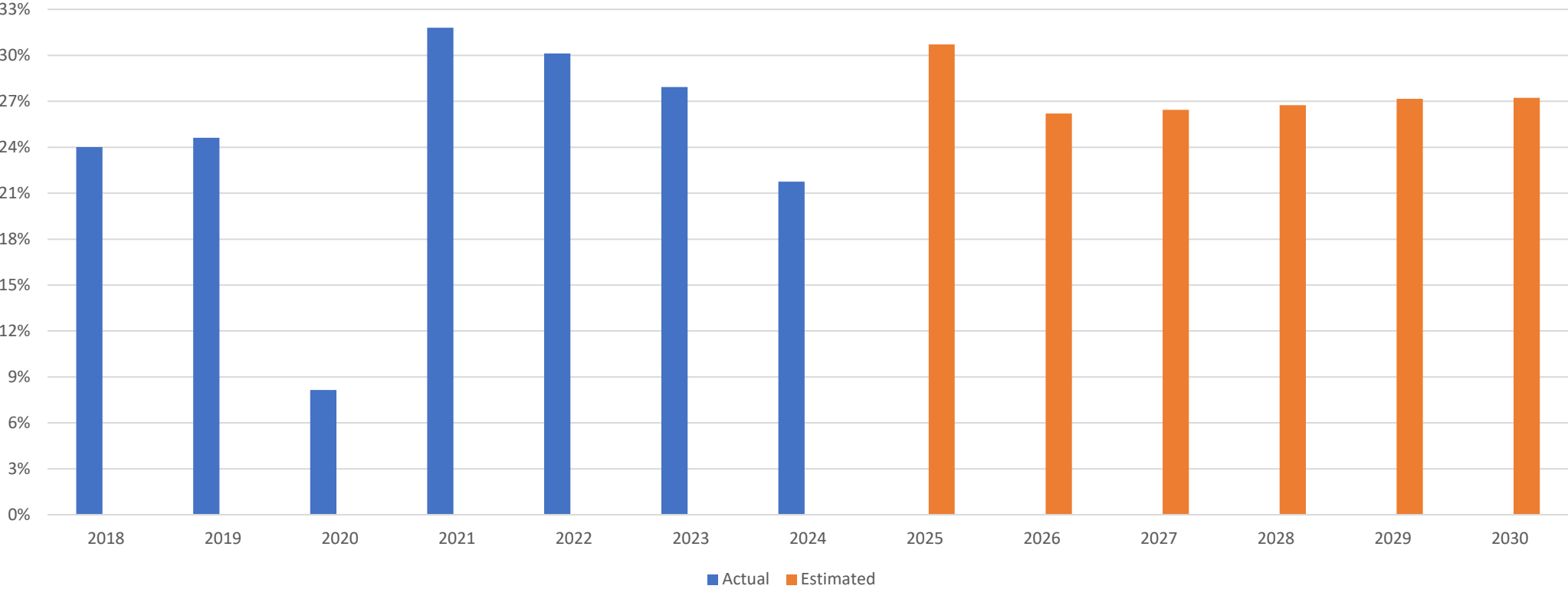
Total GF Personnel Expenditures 2018-2030



Note: For comparability, excluded Pension Protection Grant in 2024 and 2025

MERS as % of Total GF Expenditures 2018-2030

(in millions)



Expenditure Realities

MERS

- Required minimum contribution has increased significantly in last 5 years
- Retirees and former employees outnumber actives by 3 to 1
- Some City employees contribute as much as 15% of their pay

Healthcare Benefits

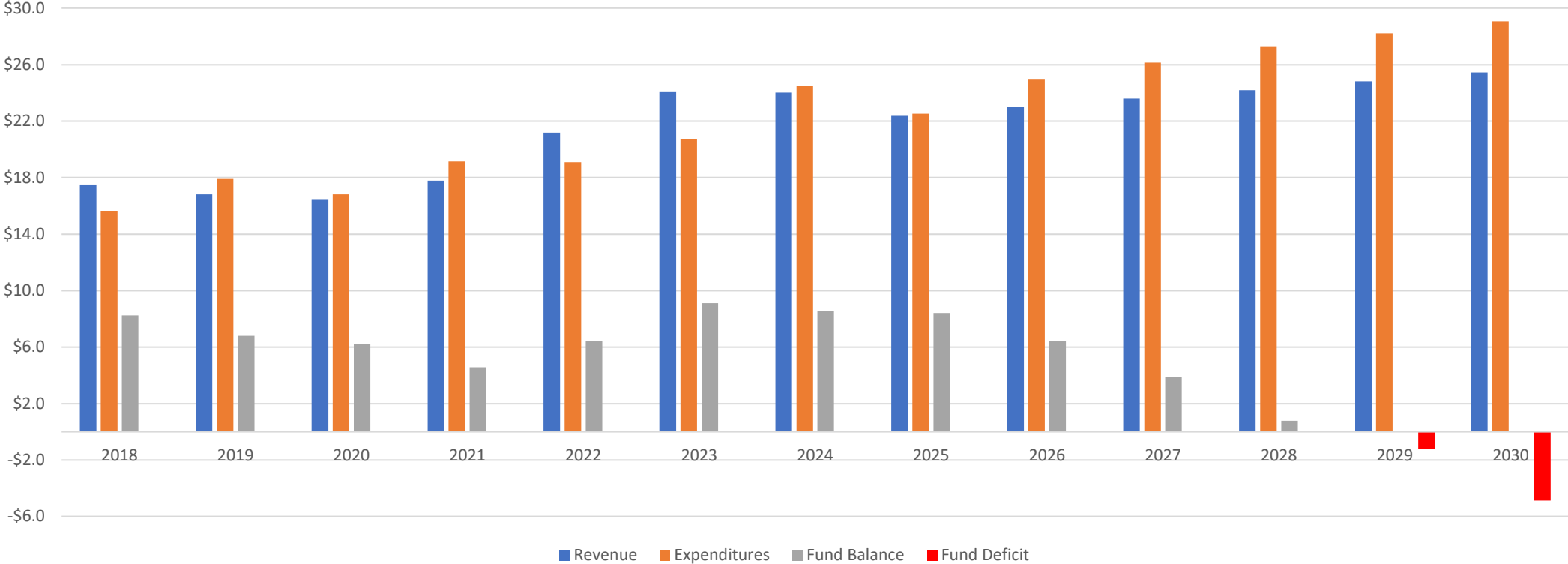
- Previous substantial reductions
- Remaining cost is approximately \$1 - \$1.4M/yr

Non-personnel operational costs

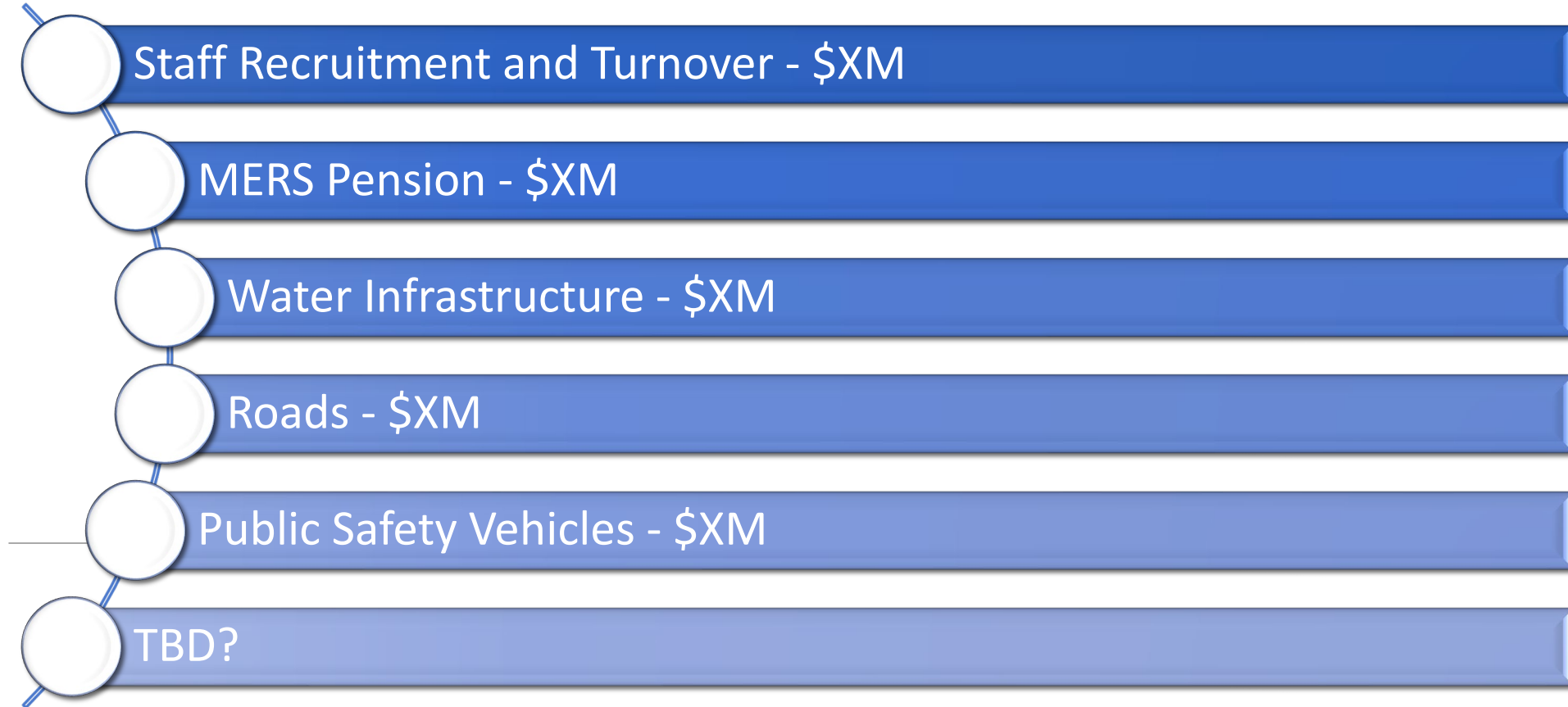
- \$6-\$7M, or 25-30% of total General Fund Expenditures
 - Already quite lean

General Fund Forecast 2018-2030

In millions






Unfunded Needs



Total Unfunded Needs: \$XM

Forecast through FY2030

-  Cautiously optimistic revenues will continue to grow; however, expenditures will grow faster than revenues.
-  The expenditure forecast does not account for all needs the City has including investments in staff, legacy costs, and infrastructure repair and replacement
-  The City needs to continue to enhance revenue to keep up with ongoing costs and infrastructure needs

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Change in Fund Balance	\$1.9M	\$2.9M	-\$0.5M	\$1.2M	-\$2.0M	-\$2.6M	-\$3.1M	-\$3.4M	-\$3.6M
Ending General Fund Balance	\$6.5M	\$9.1M	\$8.6M	\$9.8M	\$7.8M	\$5.3M	\$2.2M	-\$1.2M	-\$4.9M

Projection Conclusions:

- CITY OF HAMTRAMCK'S FINANCIAL POSITION IMPROVED SIGNIFICANTLY OVER THE LAST FEW YEARS DUE TO INCREASED REVENUES – SOME INTENTIONAL, SOME BY GOOD FORTUNE
- THE CITY'S FINANCIAL OUTLOOK IS AGAIN IN DECLINE.
- BIG TICKET CAPITAL AND OTHER EXPENDITURES ARE NOT INCLUDED IN THIS PROJECTION
- TO MAINTAIN OR IMPROVE CITY ASSETS AND SERVICES, THE CITY STILL NEEDS REVENUE ENHANCEMENTS .

Future Revenue Opportunities

- NEW OPTIONS ARE LIMITED
 - Property Taxes - PA345 millage
 - Grants (community policing, infrastructure, etc)
- IMPROVING EXISTING REVENUES HAVE WORKED SO FAR
 - Income tax compliance
 - Ordinance
- ECONOMIC DEVELOPMENT TO DRIVE INCOME AND PROP TAX?

PA345 Millage

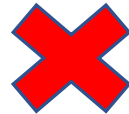
Requires a vote of
the people



Millage proceeds are
restricted to paying
public safety
retirement benefits



P&F MERS - \$6M/yr
1 mill = \$260k
\$6M = 23 mills



Voters rejected
November 2020
millage request (10.5
mills) almost 3 to 1

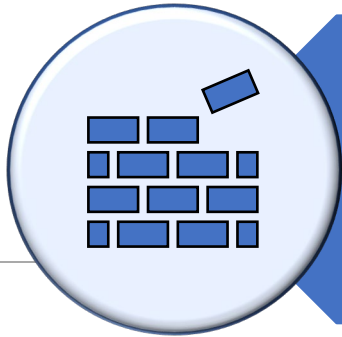
Same request failed
4 to 1 in August 2021

Can the public be
convinced to pay for
legacy costs in exchange
for better services now?

Recommendations



Continue with the collection and enforcement practices that have been established.



Build a Capital Improvement Plan to ensure costs required to maintain and replace aging infrastructure are known



Explore additional revenue opportunities to support specific infrastructure and programmatic costs

In Summary

- THE CITY IS IN A FAR BETTER POSITION THAN IT WAS A FEW YEARS AGO
- THE CITY'S FINANCES WERE NOT "FIXED" AND ARE ONCE AGAIN IN DECLINE.
- THE CITY STILL HAS SUBSTANTIAL CAPITAL AND OTHER FINANCIAL NEEDS, AS WELL AS AN OPERATING SHORTFALL IN THE NEAR FUTURE
- CONTINUED IMPROVEMENT IS BOTH POSSIBLE AND ABSOLUTELY NECESSARY, BUT HOW DOES HAMTRAMCK PAY FOR IT?
- IF THE PUBLIC WILL NOT PASS A NEW MILLAGE, WHAT OTHER OPTIONS DOES HAMTRAMCK HAVE TO RAISE THIS KIND OF MONEY?

- QUESTIONS?