

Council Meeting
Common Council
November 6, 2023

The regular meeting of the Common Council was held at the Zeeland City Hall, 21 S. Elm Street, Zeeland MI on Monday, November 6, 2023. Mayor Klynstra called the meeting to order at 7:00 p.m.

PRESENT: Council members – Mayor Klynstra, Mayor ProTem Gruppen, VanDorp, Broersma, Kass,
Kass, Timmer and Lam

ABSENT: Council member: – None

Staff present: City Attorney Donkersloot, City Manager Klunder, Asst. City Manager/Finance Director Plockmeyer, BPW General Manager Boatright and City Clerk Holmes.

The invocation was offered by City Manager, Tim Klunder.

The Pledge of Allegiance was recited.

23.168 Approve Consent Agenda

Motion was made by Councilmember Timmer and seconded by Councilmember Broersma to approve the Consent Agenda as presented:

1. Approve minutes of the regular meeting of October 16, 2023.
2. Approve minutes of the Work Study meeting of October 16, 2023.
3. Receive for information minutes of the Planning Commission of September 5, 2023.

Roll call.

AYES: Gruppen, Kass, Timmer, VanDorp, Lam, Broersma and Mayor Klynstra

No Votes: None

Absent: None

Communications/Visitors

There were no visitors/communications this evening.

City Manager's Report

Planning Commission

Klunder thanked City Council for their willingness to hold a combined meeting with the Planning Commission to engage in some important policy issues that the Planning Commission and City Council have before them. The dialogue around Accessory Dwelling Units (ADUs) was outstanding, regardless if you are in favor of ADUs, not in favor of them, or somewhere in the middle. Better policy comes from this type of respectful dialogue. A short synopsis of our leadership team's takeaways on various topics and next steps.

- ADUs – All of the dialogue was good, but we found it particularly helpful that there ultimately was a recognition amongst the group that ADUs do not equal affordable housing. While there may be an affordability component with ADUs, it is not the answer, nor should it be the

primary driver when considering ADUs. Thank you for helping make this distinction. Klunder was able to attend a Chamber hosted presentation by Brooke Oosterman Friday morning for further dialogue on this issue from a regional perspective. He is awaiting the slide deck from that presentation and will forward to City Council. In particular, there was a slide that highlighted the shortage of housing at various price points. While there is a shortage of housing options in the affordability category, there is an even greater deficiency in the attainability market (middle) and high-end market. ADUs would appear to be an option that may help (albeit small) address gaps in all of these markets depending on the price point of the ADU. With the approval of the 2nd reading of the proposed ADU Ordinance by the Planning Commission, this will now come before City Council. Klunder suspects the ordinance will be on the November 20th Council Agenda.

- Short-Term Rentals – There was not a great deal of time for dialogue on this issue. Nevertheless, our team has been able to solicit some feedback from the Planning Commission and through various individual conversations with City Councilmembers and members of the public. We believe we are hearing “support” around the concept of short-term rentals in the Central Business District (a downtown apartment available for short-term rental), but caution with allowing them in residential districts – notwithstanding the pending request to allow missionaries to stay on a short-term basis in a house (no significant dialogue has occurred around that request). Based on what we believe we are hearing, we will have Paul LeBlanc draft some initial language around short-term rentals for the Planning Commission’s review and discussion. This is by no means ends the discussion around this matter. Many details need to be worked through. As Paul noted, even if our community determines we are not supportive of short-term rentals, we should really add some clarifying language in our Zoning Ordinance on what actually defines a short-term rental.
- Central Business District First-Floor Residential Dwelling Units – Again, we really didn’t have an opportunity to have dialogue around this issue. Paul did share that if this is something the city wants to consider further, it should be done through the zoning process rather than an ongoing variance process as was necessitated for consideration of the 1st floor apartment in the back of 120 E. Main. Dialogue will also continue on this matter. From our leadership team’s perspective, we would recommend that if we do consider further allowances of 1st floor dwellings downtown, they should be limited to the rear (not facing Main) of a building, should be part of a larger rehabilitation project, and have reasoning around the desire for the dwelling rather than ease of renting the space (for example, the elimination of an elevator requirement as was the case in our 120 E. Main project). This dialogue will also continue at the Planning Commission level, but we certainly welcome any Councilmember’s thoughts on this matter as the dialogue continues.

“Clean Energy Future” Legislation

Klunder included in the Council Package an article from mlive that outlines a package of bills (Senate Bills 271, 273 and 502) that have been passed (awaiting Governor Whitmer’s signature) that phases out carbon-emitting energy sources by 2040. For example, the Consumers gas-fired plant in Zeeland. While gas-fired plants are not typically counted as clean energy, there is a caveat that natural gas-fired plants could be considered as part of the “clean” energy target of 80% by 2035 if a utility can become 90% effective at using carbon capture and sequestration. This legislation certainly has implications in the utility market as outlined in the article. Of particular interest to Zeeland, is what this all means for the Zeeland gas-fired plant? Initial analysis is that it may not impact the timeline of the Zeeland facility. You may recall that previous estimated projections have been that the plant may have an end-of-life cycle around

2040 (albeit things change). Nevertheless, this needs to continue to be on our “radar” and Kunder would advocate (2024 goal setting session) this legislation heightens our need to look at a financial sustainability plan when coupled with ongoing recalculation of the personal property tax reimbursement, infrastructure needs, our downtown building improvements, etc. Discussions around scenario planning on how to handle these potential impacts will be “easier” in the “near” future versus waiting many years out.

135/137 E. Main

A pre-demo meeting was held with the contractor and a demo permit has been issued. The start of the demolition on these buildings could occur the week of November 6th.

23.169 BPW Apprentice Lineman

Motion was made by Councilmember Gruppen and seconded by Councilmember Timmer to approve the addition of one (1) Electric Line Worker Apprentice position.

Roll call.

AYES: Kass, Timmer, VanDorp, Lam, Broersma, Gruppen and Mayor Klynstra

No Votes: None

Absent: None

23.170 Space Use Analysis Bid Award

Motion was made by Councilmember Broersma and seconded by Councilmember VanDorp to award a contract to Tower Pinkster in the amount of \$48,600.00 to perform a Space Use Analysis.

Roll call.

AYES: Timmer, VanDorp, Lam, Broersma, Gruppen, Kass and Mayor Klynstra

No Votes: None

Absent: None

23.171 Health Insurance Renewal

Motion was made by Councilmember Van Dorp and seconded by Councilmember Broersma to accept the Personnel Committee’s recommendation to renew the 2023 health plans for active full-time employees with the Western Michigan Health Insurance Pool for the 2024 calendar year.

Roll call.

AYES: VanDorp, Lam, Broersma, Gruppen, Kass, Timmer and Mayor Klynstra

No Votes: None

Absent: None

23.172 Retiree Health Insurance Renewal

Motion was made by Councilmember Kass and seconded by Councilmember Timmer to accept the Personnel Committee’s recommendation to renew our 2024 retiree health/Rx coverage with Priority Health as presented.

Klunder explained on an annual basis we review our health/prescription drug coverage for our Medicare eligible retirees and their spouses. Since 2011 we have provided this coverage through Priority Health.

Our leadership team is recommending that we again offer coverage through Priority Health. As a reminder, under the City's Retiree Health Benefit Policy the city limits the amount we will pay on premium increases to 3% and we will not pay more on a percentage basis than what we have paid in the past (if the rate increase is less than 3% for example).

With our recommendation to renew with Priority Health at the existing coverage levels, the monthly premium will increase by 4%. The 2024 rate of \$264.26 is \$10.17 more per month than in 2023 (last year's increase was \$12.10) and it remains significantly lower than what we have paid in the past (as high as \$330.44). The breakdown for calendar year 2024 would have the city pay \$195.18 (3% cap on last year's \$189.49) per month per retiree and the retiree is calculated to pay \$69.08 per month which is an increase of \$4.48 per month. At these dollar amounts the city would be paying 74% of the retiree health/Rx premium for a retiree in 2024. As a reminder, for the retiree's spouse the city pays 50% of the amount we pay for the retiree with the spouse paying the premium difference (\$166.67). Because of the funded status of the City's OPEB (Other Post-Employment Benefits - Retiree Health Insurance) Fund, the City's portion of the retiree's health insurance costs will be paid by the OPEB Fund.

While the Medicare supplemental insurance rate is only increasing by 4%, the rate for the non-Medicare eligible spouse is increasing by 11.1%, from \$1,039.76 per month to \$1,155.19 per month. As a reminder, per our policy, a retiree or spouse pays the full amount of their health insurance costs until they reach age 65. We currently do not have any retiree or spouse on the under 65 plan.

For Council's reference, included in the Council Package was a summary of health insurance coverage levels and a table showing the retiree's health insurance rates since 2011.

The Personnel Committee did review this matter at their October 24 meeting and they unanimously agreed with our leadership team's recommendation to renew our retiree health insurance with Priority Health for 2024.

Roll call.

AYES: Lam, Broersma, Gruppen, Kass, Timmer, VanDorp and Mayor Klynstra

No Votes: None

Absent: None

23.173 Dental Plan Renewal

Motion was made by Councilmember Timmer and seconded by Councilmember Gruppen to approve a renewal with Delta Dental for 2024 dental insurance at the rates provided in the quote dated 10/9/2023.

Klunder reported we received our 2024 dental renewal quote from Delta Dental which provides a 3.4% increase over our existing 2023 rates. This would be the first rate increase from Delta Dental since January 1, 2022. For comparison purposes, our insurance consultant (Gallagher Benefits Services) informed us that the dental trend has been around a 4% average annual increase.

As we have previously noted, from a human resource perspective, we have been very pleased with Delta Dental from both an administrative standpoint and employee satisfaction standpoint and in spite of the

3.4% increase, our leadership team feels the stability and satisfaction of Delta Dental warrants a renewal with Delta Dental for 2024 dental insurance coverage.

From a budget perspective, the annual dental premium to the City/BPW is estimated to be just over \$75,000. This is within the city's budgeted amount of \$76,950. From an employee perspective, our contribution policy currently does not require an employee contribution for dental coverage. We recommend that does not change. From a retiree perspective, a retiree only policy would increase from \$3.85 per month to \$4.09 while a spouse only policy would increase from \$17.66 to \$18.32 per month (they receive 50% of the retiree benefit amount). An attached spreadsheet shows the retiree rate calculation.

Roll call.

AYES: Broersma, Gruppen, Kass, Timmer, VanDorp, Lam and Mayor Klynstra

No Votes: None

Absent: None

23.174 Health/Rx/Dental Funding Policies Amendment

Motion was made by Councilmember Lam and seconded by Councilmember Timmer to accept the Personnel Committee's recommendation to amend the *Funding Policies for Full-Time Employee Health/Rx/Dental Coverage as of January 1, 2024* to appropriately reflect the new high-deductible (H.S.A.) plan minimums of \$1,600/\$3,200 as of January 1, 2024.

Klunder explained since 2018, the city's health insurance funding policy states that full-time employees with health insurance pay the health insurance premium (which includes any H.S.A. contribution by the city) above the state mandated hard cap established by Public Act (PA) 152. As a reminder, PA 152 requires a city to adopt hard caps, have employees pay a minimum of 20% of premiums, opt-out of PA 152, or face a reduction in CVT payments. For 2024, the state hard cap will be 4.1%. Our leadership team recommends that the basis of our health insurance funding policy remains the same for 2024. With this policy, the city can then calculate what the employee contribution rates will be for health insurance.

Other funding policies included in the policy include provisions on such things as dental insurance, opt-out payments, wellness plan and health coverage for part-time employees if they were to qualify under the Patient Protection and Affordable Care Act (PPACA). As a side note, we do have a separate retiree health insurance policy for the retiree contribution (2024 amounts shown with the 2024 retiree health insurance renewal recommendation). For 2024 we recommend that we continue our policy of not requiring a contribution from employees for dental coverage. Additionally, we are not recommending any changes to the funding policies for opt-out payments, wellness plan, PPACA provisions or the separate retiree health policy.

While our team is not recommending changes to our base policies, changes that will need to happen in our health plan offerings for 2024 is that our current high-deductible plan of \$1,500 (single coverage) and \$3,000 (two-person or family) will need to increase to \$1,600/\$3,200 per IRS regulations in order to qualify as a high-deductible plan. Consistent with our past practice, we are not recommending that we increase the amount contributed into an employee's H.S.A. so those amounts would remain at \$625

(single) and \$1,250 (two-person or family). A proposed amended funding policy to reflect these new minimums was included in the Council packet.

The Personnel Committee was presented with these recommendations at their October 24 meeting and they did unanimously support the policy amendments as presented.

Roll call.

AYES: Gruppen, Kass, Timmer, VanDorp, Lam, Broersma and Mayor Klynstra
No Votes: None
Absent: None

23.175 Reappointments to the Brownfield Redevelopment Authority

Motion was made by Councilmember Gruppen and seconded by Councilmember Broersma to reappoint Rick VanDorp, Andrew Boatright and Tim Maday to the Brownfield Redevelopment Authority with terms expiring 11/01/2026.

Motion was made by Councilmember Broersma and seconded by Timmer to allow Councilmember VanDorp to abstain from voting. Motion carried. All voting aye.

Roll call.

AYES: Kass, Timmer, Lam, Broersma, Gruppen and Mayor Klynstra
No Votes: None
Absent: None
Abstained: VanDorp

23.176 Thanksgiving Proclamation

Motion was made by Councilmember Broersma and seconded by Councilmember Timmer to approve the Thanksgiving Day Proclamation for Thursday, November 23, 2023 as presented.

Roll call.

AYES: Timmer, VanDorp, Lam, Broersma, Gruppen, Kass and Mayor Klynstra
No Votes: None
Absent: None

Councilmember Kass thanked City Clerk Holmes, Administrative Assistant Humphrey and the Election Inspectors for all the work they do for the Elections.

Mayor Klynstra announced he is now Vice President of the Mayor's Association.

There being no further business, motion was made by Councilmember Broersma and seconded by Councilmember Kass to adjourn the meeting at 7:20 p.m. Motion carried. All voting aye.


Kevin Klynstra, Mayor


Pamela Holmes, City Clerk

MEMORANDUM OF WORK-STUDY SESSION

Zeeland City Hall Council Chambers

Monday, November 6, 2023

5:45 P.M.

PRESENT: Councilmembers – Mayor Klynstra, Mayor ProTem Gruppen, VanDorp, Broersma,
Kass, Timmer, Lam

ABSENT: Councilmembers – None

Staff Present: City Attorney Donkersloot, City Manager Klunder, Asst. City Manager/Finance Director Plockmeyer, BPW General Manager Boatright, Fire Chief Tibbets, Deputy Fire Chief Harsevoort and City Clerk Holmes

Mayor Klynstra called the meeting to order at 5:45 p.m.

BPW Apprentice Lineman

BPW General Manager Boatright explained as our organization continues to grow and expand its operations, there is a growing need for skilled personnel within our Transmission & Distribution team. In conjunction with this growth, one of our current Electric Line Worker / Electric Service Workers has recently been promoted to the previously vacant Electrical Engineer position. This change in personnel now requires us to fill the vacated Line Worker / Electric Service Worker position. Our preference is to fill the vacant Line Worker / Electric Service Worker position with a Line Worker Apprentice. Our department is small and it is vital that when changes in personnel occur, we are intentional about maintaining a succession plan that upholds our Core Values of Safety, Family-Oriented Workplace Culture, Integrity, Continuous Improvement, and Service & Stewardship. To this end, we anticipate the retirement of the Lead Line Worker within the next three to five years and we feel it would be prudent to take this opportunity to ensure adequate staffing and succession for the foreseeable future.

The Line Worker Apprenticeship training process requires 7,000 hours of on-the-job experience along with coursework through Wolverine Power Cooperative's Joint Michigan Apprenticeship Program (JMAP), a training resource the BPW has used to train our Apprentice Line personnel for many years. It takes roughly four years to complete the JMAP training to attain licensure as a Journey Line Worker, thus eligibility to become a Line Worker / Electric Service Worker. In anticipation of staff departures due to retirement, we would like our veteran (Journey) Line Worker personnel to mentor the new Apprentice personnel for the duration of time these veterans remain in-service. Our system is unique in the fact that roughly 80 percent of all primary distribution is underground, and the current Line Worker / Electric Service Worker crew has installed a majority of this system. Transferring this institutional knowledge is crucial to maintaining excellent utility service.

Introducing an additional Electric Line Worker Apprentice position will not only strengthen our workforce but also provide opportunities for professional development and career advancement within our organization as has been demonstrated by the previously mentioned recent promotion. This initiative aligns with our commitment to fostering a skilled workforce and ensuring the continued success of our Electric Transmission & Distribution department.

BL-196 Crossing Report Update

Plockmeyer explained that at the last Council meeting, City Council was provided with a copy of the BL-196 Non-Motorized Crossing Study as performed by CDM Smith Associates through the Macatawa Area Coordinating Council (MACC). The purpose of this study was to provide recommendations to increase the safety for non-motorized transportation to cross BL-196 from 120th/Waverly in Holland to Fairview/88th in Zeeland. This study evaluated on-grade improvements as well as preferred locations for an over/under-pass of BL-196. The final copy of this report was included in the Council Package.

As shown in the final report, this was a multi-jurisdictional effort which included the City of Zeeland, Zeeland Charter Township, the City of Holland, Holland Charter Township, the MACC, the Michigan Department of Transportation (MDOT), and the Outdoor Discovery Center/Macatawa Greenway. This report took into consideration multiple non-motorized plans (including the City of Zeeland's 2019 Report) and MDOT's upcoming BL-196 reconstruction project which is scheduled to be completed in 2024. Because we were able to coordinate this study with that of MDOT's reconstruction project, most of the on-grade crossing improvements will be included as part of MDOT's project at no cost to the local municipalities.

On Grade Improvements

- 104th and BL-196 - CDM Smith is recommending the widening of the crossing in the median. The current crossings only have a 5' path through the median which does not provide an overabundance of safety especially when traversing BL-196 with several individuals. In addition to widening the crossing in the median, the study is suggesting that enhanced pavement markings delineating the crosswalk be added to the intersection and additional lighting. While crossing improvements will be funded by MDOT's project, the lighting improvements are not and will need to be funded by the local municipalities. We are currently working with our BPW in order to ensure the lighting improvements at the 96th and 88th Street intersections are part of MDOT's reconstruction project.
- 96th/State Street and BL-196 - Like the 104th and BL-196 crossing, CDM Smith is recommending widening the crossing, enhanced pavement markings, and lighting improvements. As shown on the plan, the study is also recommending a shared use path along the south side of the business loop to connect to a future pedestrian bridge.
- 88th/Fairview and BL-196 - In addition to the widened crossing, lighting improvements, and enhanced pavement markings, CDM Smith is recommending path alignment changes. While the recommended alignment increases the time an individual is in the median, it provides safer crossing because the crossing is at a 90-degree angle to the Business Loop. The report also recommends a shared use path on the north and south sides of the Business Loop to connect to a future pedestrian bridge.
- 101st and BL-196, Maple/92nd and BL-196 - While there are pedestrian movements across these intersections at grade, CDM Smith is not recommending the addition of crossings because there are no current "formal" crossings at these locations and because there are no "formal" crossings they would not meet the pedestrian crossing warrants to justify the addition of a crossing.

Above Grade Improvements

In addition to evaluating the on-grade crossings, CDM Smith recommended the locations for two preferred grade-separated crossings: one east of the intersection of Maple/92nd and the business loop and the other at the intersection of Van Hill Drive and the business loop. According to the report, “Placing the bridge at other locations was examined including at an intersection within the study area. Adjacent streets, driveways and overhead wires near I-196 BL prevented a simple and cost-effective bridge design at other intersections...A pedestrian underpass was removed from consideration based on the engineering and cost challenges considering the high-water table in the area.” Of these two preferred bridge locations, the crossing located east of Maple/92nd has been deemed the highest priority location due to desire from the local jurisdictions to construct a crossing, the desire from the general public to have a crossing in this vicinity, and the number of people that do cross the business loop in this vicinity. As such, this memo will focus on this crossing.

According to the report, “The concept includes a new 10’ path that connects to the sidewalk network on the east side of Maple Street to Rich Avenue. Once along the I-196 BL ROW, the path to the bridge would rise with an approximately 5% slope to reach a 17’ 0” minimum vertical clearance and be supported by retaining wall on a portion of the sloped section. Additionally, a second path will stay at-grade along the roadway connecting Maple Street to Fairview Road on the north side of I-196 BL.

Likely a prefabricated bridge such as the one pictured in Figure 12, would provide the most cost-effective bridge type. If a pier is needed in the center median of the roadway, coordination with MDOT on the appropriate safety measures would be needed. On the south side of the roadway, the pathway would descend to grade level where a 10’ trail would connect to three existing paths:

- The 88th Avenue sidepath which connects to the Adams Street sidepath and Upper Macatawa Natural Area
- The 92nd Avenue sidepath which connects to Perry Street
- The longitudinal trail east of 96th Avenue that connects to Huizenga Park

Because of a small stream on the south side of I-196 BL and a small wetland area on the east side of Maple/92nd, much of the trail would consist of a boardwalk. This allows the trail to have greater separation from vehicle traffic and not disturb the existing natural conditions. See Figure 13 for an example of a trail with boardwalk portions adjacent to the roadway. All three crossings of this new longitudinal trail will receive enhancements. This concept has the benefits of both creating 1.5 miles of longitudinal trail and above-grade crossing—both of which were strongly expressed as a need from the community.

While we are excited about the prospect of a crossing within the city limits of Zeeland, this project does come at a cost. Below is a cost estimate for the project as provided by CDM Smith in the report:



Project: MACC Non-Motorized Crossing Study
Street Name: Maple St Pedestrian Bridge Enhancements

Project Cost Estimate: Maple St Pedestrian Bridge Enhancements

<u>Item Section</u>	<u>Total:</u>
Street Construction	
Earthwork	\$42,959
Bases	\$122,247
HMA Pavements & Surface Treatments	\$159,600
Structures	\$4,814,763
Incidental Construction	\$596,833
SUB-TOTAL:	\$5,736,410
Traffic and Amenities	
Signing & Pavement Markings	\$1,140
Lighting	\$27,480
SW Ramps	\$6,664
SUB-TOTAL:	\$35,290
Miscellaneous	
Maintenance of Traffic	\$699,488
Erosion Control (1%)	\$57,364
SUB-TOTAL:	\$756,860
CONSTRUCTION TOTAL	\$6,528,560
Other Costs	
Contingencies (30% of Construction Total)	\$1,958,568
Contractor Staking and Errors (3% of Construction Total and Contingencies)	\$254,614
Mobilization (10% of Construction Total, Contingencies and Staking)	\$874,174
CONSTRUCTION GRAND TOTAL	\$9,615,916
Other Project Costs	
Preliminary Engineering (10% of Construction Total)	\$961,592
Construction Engineering (10% of Construction Total)	\$961,592
Right of Way	\$100,000
SUB-TOTAL:	\$2,023,183
PROJECT COST	\$11,639,100

Estimated unit prices were taken from MDOT's average item price reports (2023)

Overall, we think there is much support from all impacted agencies for this project including the City of Zeeland, Zeeland Charter Township, and MDOT, and we hope that funding for this project could be secured over the next several years. We will continue to seek grant funding for the project and work to see this project come to fruition.

We would like to thank the MACC for spearheading this study. We are already seeing its impact as evidenced by the incorporation of some of the suggested improvements into MDOT's BL-196 reconstruction project next summer. We also see this report as a catalyst for a future crossing project which has been a goal of City Council for many years.

OPEB/Pension Plan Updates

OPEB

Plockmeyer reported at the end of each fiscal year, the City's actuary, Watkins & Ross, evaluates the City's Defined Benefit Retiree Health Insurance (OPEB) Plan and issues a report regarding the plan's financial health. Plockmeyer gave an update on the information contained in this report and gave a summary as to the overall financial health of the plan.

Plan Assets

At the beginning of Fiscal Year 2023, the City of Zeeland's OPEB Plan had an asset balance of \$2,223,687 and at the end of Fiscal Year 2023, the account balance increased to \$2,316,170. This decrease in assets is broken down follows:

Income

Investment Income	\$184,139
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Total Income	\$184,139
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Distributions

Distribution from Plan to Health Fund	\$ 89,400
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Plan Expenses	\$ 2,256
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Total Distributions	\$ 92,483
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Unfunded Liability

An OPEB plan's unfunded liability is a good indicator as to the financial health of an OPEB plan. A plan's unfunded liability measures the difference between the amount the plan is expecting to distribute in the future less the future value of the assets available to fund these distributions. While most OPEB plans face an unfunded liability, the City of Zeeland's OPEB plan is again overfunded. In Fiscal Year 2023, the City's OPEB plan went from an over-funded status of \$20,513 to an over-funded status of \$401,772 or 120.99% funded. A breakdown of this change is found below:

Overfunded Balance 6/30/22	\$20,513
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Service Cost	(12,866)
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Interest	(109,084)
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Experience Gain	339,064
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Change in Actuarial Assumptions	(5,764)
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Benefit Payments from Health Fund	77,426
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Distributions to Health Fund	(89,400)
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Net Return on Assets	184,139
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Administrative Expenses	<u>(2,256)</u>
Overfunded Balance 6/30/23	401,772

At first glance these numbers do not do a great job of explaining what is happening to the over-funded liability, so further explanation is needed.

Service Cost - This is the value of the benefit earned during the current year.

Interest - This is the amount of interest expected to be earned by the plan in Fiscal Year 2022 at the FY23 assumed rate of return (5.01%) based on the total OPEB Liability. We decided to maintain this interest rate for another consecutive year. Our investment advisors (Mission Square), suggested a rate greater than 7% which both City Staff and our accountants thought was overly aggressive, so we chose to maintain a more conservative rate.

Change in Actuarial Assumptions - Fiscal Year 2023 experienced one change in actuarial assumptions that impacted our statements this year. This change was to reflect the most up-to-date mortality tables.

Experience Gain/Loss - Actual events during the Fiscal Year which resulted in a gain because health insurance costs did not increase as much as expected, fewer retirees are electing to take the coverage (especially spouses), and we are experiencing earlier than expected deaths in the plan.

Distributions to the Health Fund - Represents reimbursements from the OPEB Fund to the Health Fund for benefits and expenditures paid.

Net Return on Assets - The realized and unrealized returns on the assets within the plan decreased our liability for Fiscal Year 2023 because the plan experienced positive returns.

Administrative Expenses - The amount that was paid for plan expenses.

Fiscal Year 2023 and Beyond

The City of Zeeland has been dedicated to maintaining a fully funded status for its Retiree Health Insurance Plan as indicated by the plan’s 120.99% funded status. Our overfunded status increased because of the return on investments being much higher than expected and because of the actual plan experiences. This being the case, we recommend maintaining our current course, which is paying for Retiree Health Insurance benefits from the plan and not making any additional contributions to the plan. Maintaining a funding status near 100% is important because an underfunded plan represents a possible difficulty to make future payments and overfunding could present problems in the future because unused trust assets may be difficult to absorb back into the City, and the current course will help us align with this desire.

The actuarial report was included in the Council Package, and it should be noted that the figures presented in the report represent a best guess estimate available at this time. Changes in rates of returns, estimates on life spans, and changes to the demographics of the plan can change the liabilities as exhibited in this fiscal year’s report. All else considered, the estimates used by the City are fairly conservative and represent

a picture that is hopefully close to reality. The council's foresight to adopt these more conservative assumptions and the continuing effort to fund the City's OPEB Plan should be commended and will only result in a more favorable position in the future.

PENSION PLAN

At the end of each fiscal year, the City's actuary, Watkins & Ross, evaluates the City's Defined Benefit Pension Plan and issues a report regarding the plan's financial health. This memo outlines the information contained in this report and gives a summary as to the overall financial health of the plan.

Plan Assets

At the beginning of Fiscal Year 2023, the City of Zeeland's Pension Plan had an asset balance of \$10,508,468 and at the end of Fiscal Year 2023 the asset balance had increased to \$10,594,194. This growth in assets is broken down follows:

Income

Employer Contributions	\$ 51,352
Employee Contributions	\$ 1,954
Investment Income	\$762,557

Total Income \$815,86

Distribution

Retiree Benefit Payments	\$703,562
Administrative Expenses	<u>\$ 26,575</u>

Total Distributions \$730,137

A couple of things should be noted from the breakdown above; 1) The Required Employer Contributions were \$0 in the Fiscal Year, but we chose to make a contribution of \$51,352 which is the accrued benefit earned by the active employees during the year; 2) The plan's return on assets was a gain of \$735,982 (Investment Income – Investment fees) or 7.00% for Fiscal Year 2023 was higher than our estimated rate of return or 5.42% for FY23.

Unfunded Liability

A pension plan's unfunded liability is a good indicator as to the financial health of a pension plan. A plan's unfunded liability measures the difference between the amount the plan is expecting to distribute in the future less the future value of the assets available to fund these distributions. In Fiscal Year 2023, the City's Pension Plan underfunded status changed to being overfunded. At the beginning of the Fiscal Year the plan was underfunded by \$427,466 or 96.1% funded, by the end of the year the plan was overfunded by \$773,382 or 107.9% funded. A breakdown of the liability change is found below:

Unfunded Liability Balance 6/30/22	427,466
Service Cost	41,042
Interest	479,197
Experience Gain	(29,845)
Change in Actuarial Assumptions	(901,954)
Contributions from Employer & Employees	(53,306)
Net Investment Gain	(762,557)
Administrative Expenses	<u>26,575</u>
Unfunded Liability Balance 6/30/23	(773,382)

At first glance these numbers do not do a great job of explaining what is happening to the unfunded liability, so further explanation is needed.

Service Cost - This is the anticipated amount of the administrative expenses for the Fiscal Year.

Interest - This is the amount of interest expected to be earned by the plan in Fiscal Year 2023 at the FY23 assumed rate of return (5.42%).

Experience Gain - The plan experienced unexpected demographic changes mostly due the death of an active member in the plan.

Change in Actuarial Assumptions - In Fiscal Year 2023, the plan did experience one actuarial change which was a change in the expected rate of return which increased from 4.51% to 5.42%. This change comes at the suggestion of our investment advisors CAPTRUST and decreased our liability by \$901,854.

Contributions for Employer and Employees - Represents the amount contributed to the plan by the City and its employees during Fiscal Year 2023 which decreases the liability by \$53,306.

Net Return on Assets - The realized and unrealized returns on the assets within the plan. This decreases our liability for the Fiscal Year because we had \$762,557 of net investment income.

Administrative Expenses - The amount that was actually paid for expenses from the plan. This adds to the liability because this represents funds that are not available to pay for future distributions.

Fiscal Year 2024 and Beyond

After a year of being underfunded after several years of being overfunded, it is nice to be overfunded again. As we hoped last year, the market did rebound and returns climbed. This being the case, I would suggest staying the course which does have us contributing the normal cost or accrued benefit to the plan during Fiscal Year 2024. We feel that this will keep us close to our 100% funding status.

It should also be noted that the figures presented in the actuarial report represent a best guess estimate available at this time. Changes in rates of returns, estimates on life spans, and changes to the demographics of the plan can change the liabilities as exhibited in this fiscal year's report. All else considered, the estimates used by the City are fairly conservative and represent a picture that is hopefully close to reality. The council's foresight to adopt these more conservative assumptions and the continuing effort to fund the City's unfunded liability should be commended and will only result in a more favorable position in the future.

Personal Property Tax Update

During the month of October, the State of Michigan provides its first distribution for the reimbursement of lost Personal Property tax revenue as a result of the phase out of taxes on eligible personal property which began in 2014. We have grown accustomed to this reimbursement as we are several years into this process, but because the amount of the reimbursement is not a guarantee we do like to provide an update as to how the amount we received compared to what we had budgeted for this fiscal year.

As part of the Fiscal Year 2024 budget, we budgeted for a total reimbursement of \$1,146,404 and we received a reimbursement of \$1,199,563. While we are happy the reimbursement was more than we expected, because our personal property tax reimbursement is such a significant part of our overall general budget (approximately 12% of General Fund revenues), we like to track the difference between our budgeted and actual reimbursement and will walk through the differences in the remainder of this memo.

The personal property reimbursement is made up of a number of components including the following:

Lost Personal Property Taxable Value – We had budgeted \$112,003,800 of lost personal property taxable value and our reimbursement was calculated based on \$110,040,092 of lost personal property taxable value. This difference was due to the fact that our calculations were based on taxable values prior to the Board of Review meeting which occurs in the middle of March. At their meeting this year, the board accepted the addition of taxable value due to the late filing of personal property tax forms. While it decreased our potential reimbursement, this was a good thing because it added taxable value to our tax roll which becomes guaranteed revenue as opposed to the reimbursement which is not guaranteed.

Millage Rate – We had budgeted for the reimbursement to be calculated on our lowest millage rate since 2013 which was 10.1354 Mills. We were fairly confident that the reimbursement would be calculated based on a millage rate of 11.1354 mills because that was our millage rate last year but wanted to budget conservatively. We were happy that the reimbursement was calculated based on a millage rate of 11.1354 mills. This should be our reimbursement rate into the future assuming that we retain or increase our millage rate.

Essential Services Reimbursement – This portion of the reimbursement is to make sure that communities are fully reimbursed for lost revenue for essential services (police, fire, etc.). Based on the calculation we provided to the State of Michigan in 2016, our essential services reimbursement percentage is 29.7866% of our general operating millage. Based on the \$110,040,092 of lost personal property taxable value and a millage rate of 11.1354 mills, we were reimbursed \$364,987 for essential services or 100% of what we would expect.

Qualified Loss Reimbursement – This portion of the reimbursement is a reimbursement for lost personal property tax revenue beyond essential services. The qualified loss is part of the reimbursement that is not guaranteed but has been historically reimbursed at 100%. Even though it has been historically reimbursed at 100%, this part of the reimbursement is being phased out as the State of Michigan is looking to “reward” those that experience investment into their community and is starting to base a portion of the personal property tax reimbursement on new personal property value in a community. Because this is the case, the qualified loss was reimbursed at 70% during this fiscal year and will continue to decline by 5% a year until this qualified loss is phased out. Based on the \$110,040,092 of lost personal property taxable value, a millage rate of 11.1354 mills, and a reimbursement rate of 70%, we were reimbursed \$609,896 for the qualified loss or 100% of what we would expect.

Eligible Manufacturing Personal Property (EMPP) Reimbursement – This portion of the reimbursement is to recognize reimbursement for investment into a community. In a nutshell, this reimbursement takes into consideration the dollar value of personal property that has been invested within the City of Zeeland as a percentage of the total personal property that has been invested within the State of Michigan. We then received 30% of this percentage of the total qualified loss for all municipalities within the State of Michigan in this fiscal year. Over time this EMPP reimbursement percentage will continue to become a bigger portion of the reimbursement as the percentage of qualified loss portion continues to decrease. Our EMPP reimbursement was \$224,680 this year. If we were to consider a 100% qualified loss, we would have been reimbursed \$261,274, so from a total distribution standpoint we received about 14% or \$36,594 less than we would have expected.

Overall, we continue to be happy with how the reimbursement for personal property has worked because this memo does not take into account any subsequent distribution which we have received in the past several years. Since we do only take into account the October distribution as part of our annual budgeting process, we do think we need to account for the decreasing reimbursement for the qualified loss due to the EMPP reimbursement. We will start doing this as part of the Fiscal Year 2025 budget cycle.

Space Use Analysis Bid Award

Included in the 2023 Strategic Action Plan was the vision to look at our facilities in a wholistic view. We are hoping that this space use analysis will become a master plan for our facilities. Which coupled with the findings of our facilities audit, will provide us with a wholistic view of facilities improvements to not only replace aging infrastructure but also improve workflow and utilize the space that we have. Some of the specific projects that we included in the RFP (please see attached) were an evaluation of a second entrance for the Police Department, space requirements for the Motor Pool, and workflow efficiencies at the library and City Hall. We asked the respondents to think big as we look to better serve the public with our facilities. We solicited Requests for Proposals for this analysis on October 27, and we are happy to report that we received seven proposals.

1. The Architectural Group - \$45,000
2. Interactive Studio - \$48,500
3. Tower Pinkster - \$48,600
4. Progressive A&E - \$51,200
5. Century A&E - \$67,000

6. ACDP - \$72,580

7. Ambient Architecture - \$89,000

While we feel that all the firms above can provide the service we are looking for, as staff we are ultimately recommending Tower Pinkster (attached is a copy of their RFP response) for this service. From our perspective we see value in the same firm completing the Facilities Audit and the Space Use Analysis. This will not only save staff time, but also can provide a more comprehensive look at our facilities. Tower Pinkster does also have a vast amount of design experience in the public sector including schools, libraries, public safety buildings, etc., and has experience in assisting governmental clients with master plans. As such, we would recommend awarding the contract to Tower Pinkster.

From a budget perspective, we had \$25,000 budgeted for this service which in all honesty was as much of a guess than anything else. We see immense value in pursuing this study as we are looking at possible investments in our facilities and want to pursue these investments in a wholistic fashion. In addition to the \$25,000 we had budgeted in the City Building Fund; we would propose that the funding for the remainder of the study come from the Facilities Maintenance Fund. We appreciate City Council's foresight to look at our facilities in this type of way and are looking forward to recommendations of this study.

Health Insurance Renewal

Klunder explained for 2024, our proposed rate increase from the Western Michigan Health Insurance Pool (WMHIP) is 4.25% while the city's hard cap is set at 4.1%. The 4.25% is the Pool average for 2024. This continues a trend of the Pool having increases that are below market trend (see attached graph). The Pool has proved to be a good health insurance option for us as we have received good health coverage, have been able to offer employees three different plan options, and our renewals have not witnessed large swings (high or low). The consistency of the Pool comes from participating with other entities, rather than being on our own.

The Pool offers a rate protection policy which keeps organizations in the Pool from having large fluctuations in their annual rate adjustment because of large claims. The Pool does this by removing large claims based on an entities' size and instead spreads them across all other units (rate protection). The smaller the size unit, the more they remove claims (over \$25k in our case) in order to rate protect the unit from a "catastrophic" claim which would create large swings in rate adjustments from year to year. When they removed our large claims in this year's rate calculation, our loss ratio decreased from 169% to 89%, thus making our proposed rate increase the Pool average of 4.25% versus something much higher without rate protection.

Included in the Council Package was the employee contribution calculation for 2024 if no city-initiated health plan changes are made (no voluntary changes are recommended). In summary, the bi-weekly amounts for employees on a family plan would be \$90.52 - \$153.42; for two-person coverage the bi-weekly amounts would be \$117.60 - \$152.99; and single coverage bi-weekly amounts would be \$35.64 - \$46.77. These amounts equate to family plan increases on a bi-weekly basis of \$1.67 - \$7.37; for two-person coverages the bi-weekly increases would be \$2.51 - \$7.10; and single coverages bi-weekly increases would be \$0.29 - \$2.32. On an annual basis, the increases would range from \$7.66 (single) - \$191.64 (family). On a percentage basis, employees would pay between 11% - 20% of the annual plan cost depending on the plan they choose.

For the city's part, our annual increases would range from \$303.38 - \$827.40. As a reminder, the city is capped at the 4.1% increase under the hard cap formula for 2024. For Fiscal Year 2023/2024, the city did budget for a 3.5% hard cap increase. Given the actual hard cap is slightly more than we budgeted, it will be an additional \$3,469 in health insurance costs, but easily tolerable within our various budgets.

One change that will need to happen in our plan offerings for 2024 is that our current high-deductible plan of \$1,500 (single coverage) and \$3,000 (two-person or family) will need to increase to \$1,600/\$3,200 per IRS regulations in order to qualify as a high-deductible plan. Consistent with our past practice, we are not recommending that we increase the amount contributed into an employee's H.S.A. so those amounts would remain at \$625 (single) and \$1,250 (two-person or family).

The Personnel Committee unanimously made the recommendation to renew our employee health insurance coverage through the West Michigan Health Insurance Pool at their October 24 meeting.

Brownfield Reappointments

The terms of Brownfield Redevelopment Authority Board Members Councilman Rick VanDorp, Tim Maday, and Andy Boatright ended on November 1, 2023. Each of them is willing to serve an additional three-year term. It is recommended that City Council approve Mayor Klynstra's recommendation to reappoint these three individuals. The city is grateful for their past service and their willingness to serve another term. If the appointments are approved, the Brownfield Authority will consist of the following individuals:

- Mayor Klynstra (term ending 11/1/2024)
- Councilman Rick VanDorp (term ending 11/1/2026 – pending approval)
- Beth Blanton, VP of Engagement at Lakeshore Advnt. (term ending 11/1/2025)
- Sarah Huizenga, Cityside Middle School Principal (term ending 11/1/2025)
- Tim Maday, Community Development Director (term ending 11/1/2026 – pending approval)
- Andy Boatright, ZBPW General Manager (term ending 11/1/2026 – pending approval)
- Tim Klunder, City Manager (term ending 11/1/2024)

Strategic Action Plan Update

As we approach the end of another calendar year, it is appropriate to assess where we are with our annual strategic action plan to evaluate our progress on action steps and operational goals, and to determine if there are any areas of particular importance that City Council would like for us to focus on the remainder of the year.

While all action steps and operational goals are important, City Council is aware that this year's plan includes a number of "heavy lift" projects – particularly in our downtown area. To no surprise, our team is performing extremely well in addressing those items. Likewise, you will also find the team has done a tremendous job on making progress or completing a number of other action steps in the plan.

There being no further items to discuss, the Work Study adjourned at 6:55 p.m.



Pamela Holmes, City Clerk