Building Tomorrow

City Manager James Freed, MML Convention 2015
What the world was like when I started out. *(If I look young and naive it’s because I was)*

June 2008
Things got a bit rocky
Ed’s back porch
OMG there’s others like us out there!
We developed new partnerships

• Share Services Agreements for City Management
• School Resource Officers with local districts
• Mutual Aid for Public Works
• Shared Equipment Pools and Purchasing
• Shared Testing Labs
• Joint Funding for Fire Department Construction
We made key new investments

- Public and Private Partnerships

- Fund raised for parks and recreation projects and quality of life projects

- DDA leveraged grants funds to spur investment into downtown

- Non-Profit Partnerships with Community Foundations and civic groups
Our People came together

- Developed Business Leadership Council

- Raised funds for Parks and Recreation capital improvements

- Non-Profit Partnerships with Community Foundations and civic groups
Phase 3 May 2015

BLUE MEETS GREEN STRATEGIC PLAN

Mission
Develop the Blue Water Region into a prosperous, sustainable economic environment through the united effort and commitment of the private, nonprofit, and public sectors.

People
1. Develop an outstanding workforce aligned with the business development goals of the Blue Water Region and enhance the education system to closely integrate with desired economic objectives.
2. Implement a career and college readiness system that is aligned with the needs of the private sector and prepares the workforce of the Blue Water Region to compete in the global and regional economy.

Place
1. Grow Tourism.
2. Maintain and enhance the quality of life and place to support our economic development.
3. Maximize our geographic location.

Prosperity
1. Retain, strengthen, and support existing businesses, including small business.
2. Diversify the economy.
3. Foster practical innovation and entrepreneurship.
These stories are not unique

- State Treasury reports that there are more than 2,000 Shared services in the State of Michigan

- New Partnerships have been formed in almost every community in the state.
We learned a lot in the last few years.
We have challenges ahead

The next 30 years will depend on our actions today and in the next 10 years
Unfunded Liabilities
Port Huron Unfunded Liabilities

- The City of Port Huron Pension is underfunded by $54.4 million

- The annual contribution for 2015-16 will be approximately $3.75 million, an increase of over 65% from six years ago when it was $2.25 million

- The City of Port Huron OPEB Fund (Retiree Healthcare) is underfunded by $47.7 million

- The annual required contribution to the fund will exceed $3.25 million

- A total unfunded liability of over $100 million with annual payments exceeding $7.0 million
Summary of Costs

- For every $1 we pay an employee there are $.70 fringe costs
- Of that $.70, $.34 pays for the current employee fringe costs
- The other $.36 pays for legacy costs.
Projected Pension & OPEB Payments

Dollars

$0

$2,000,000

$4,000,000

$6,000,000

$8,000,000

$10,000,000

$12,000,000

$14,000,000

Years


Projected Pension & OPEB Payments

Pension Only

Pension & OPEB
Not just a Port Huron issue

Total Unfunded Liabilities for Governments in Michigan

$136 Billion

The City of Port Huron and Cities across the state have made bold progress on this issue.
We have created a partnership with our non-union and union employee groups in an effort to control Healthcare and Pension costs.
<table>
<thead>
<tr>
<th>Date</th>
<th>Plan</th>
<th>Level of Coverage</th>
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<tbody>
<tr>
<td>Prior to 1-1-98</td>
<td>Blue Managed Traditional / Master Medical</td>
<td>Most services covered at 100% or minimal co-pay Prescription co-pay $2.00</td>
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<tr>
<td>1-1-98</td>
<td>Community Blue PPO – Plan 2</td>
<td>Deductible $100/$200 Co-pay 10%; Office Visit $10 Prescription co-pay $5.00</td>
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<tr>
<td>1-1-03</td>
<td>Community Blue PPO – Plan 3</td>
<td>Deductible $250/$500 Co-pay 20%; Office Visit $10 Prescription co-pay $10/$20</td>
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<tr>
<td>7-1-08</td>
<td>Community Blue PPO – Self-Insured Plan</td>
<td>Deductible $375/$750 Co-pay 20%; Office Visit $20 Prescription co-pay $10/$25/$40</td>
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<tr>
<td>1-1-12</td>
<td>Community Blue PPO – Self-Insured Plan</td>
<td>Deductible $500/$1,000 Co-pay 20%; Office Visit $25 Prescription co-pay $10/$30/$45 Chiropractic co-pay $10</td>
</tr>
</tbody>
</table>
EMPLOYEE PENSION CONTRIBUTIONS

Non-Union, Utility Workers, Supervisory Group (Utility Workers) and Police Clerical Group

- As of 7-1-10 the Employee Pension Contribution is 3% of all wages
- Additional 3% of all wages as of 7-1-11
- Additional 1% of all wages as of 7-1-12
- Additional 1% of all wages as of 7-1-13

Current pension contribution is 8% of all wages paid for these employees.
EMPLOYEE PENSION CONTRIBUTIONS

Police Patrol, Police Command and Fire Fighters

- As of 7-1-10 the Employee Pension Contribution 5% of all wages
- Additional 3% of all wages as of 7-1-11
- Additional 1% of all wages as of 7-1-12
- Additional 1% of all wages as of 7-1-13

Current pension contribution is 10% of all wages paid for these bargaining units

Police Command Officers promoted prior to 1-1-09 pension contribution is 11.71%
NEW HIRES – HCSP & PENSION

- All New Hires will participate in a HCSP (Healthcare Savings Plan) as an alternative to receiving retiree healthcare benefits. Implementation began in 2008.

- All New Hires are enrolled in a Hybrid Pension Plan which includes a defined benefit portion and a defined contribution portion. Lower cost to the City.

- A Hybrid Pension Plan became available for Public Safety employees after the 2011 contract negotiations. The new plan was adopted for Public Safety employees in 2014.
## WAGE ADJUSTMENTS

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<tbody>
<tr>
<td>Utility Workers</td>
<td>2007 – 0%</td>
<td>2011 – 0%</td>
<td>2014 – 1% SP</td>
</tr>
<tr>
<td></td>
<td>2008 – 2%</td>
<td>2012 – 0%</td>
<td>2015 – 1% SP</td>
</tr>
<tr>
<td></td>
<td>2009 – 0%</td>
<td>2013 – 0%</td>
<td>2016 – 2%</td>
</tr>
<tr>
<td></td>
<td>2010 – 2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisory Group –</td>
<td>New Contract in 2010- 2%</td>
<td>2011 – 0%</td>
<td>2014 – 1% SP</td>
</tr>
<tr>
<td>Utility Workers</td>
<td>(Prior to new contract</td>
<td>2012 – 0%</td>
<td>2015 – 1% SP</td>
</tr>
<tr>
<td></td>
<td>these employees were non</td>
<td>2013 – 0%</td>
<td>2016 – 2%</td>
</tr>
<tr>
<td></td>
<td>union)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police Patrol</td>
<td>2007 – 0%</td>
<td>2011 – 0%</td>
<td>2014 – 1% SP</td>
</tr>
<tr>
<td>Police Command</td>
<td>2008 – 2%</td>
<td>2012 – 0%</td>
<td>2015 – 1% SP</td>
</tr>
<tr>
<td>Police Clerical</td>
<td>2009 – 2%</td>
<td>2013 – 0%</td>
<td>2016 – 2%</td>
</tr>
<tr>
<td>Fire Fighters</td>
<td>2010 – 2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Union</td>
<td>2007 – 0%</td>
<td>2011 – 0%</td>
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Reduced the cost of General Fund Government by $1.5 million in the last twelve months.
• As part of the budget process, a clause was added to authorize the City Manager to make up to an additional $500,000 annual payment on our unfunded liabilities, thereby making a “Down Payment” on these liabilities.

• This down payment will help to reduce the liabilities owed for pension and OPEB costs in a more expedient manner.
• An additional $500,000 payment each year for the next 15 years will cost $7.5 million

• However, with interest compounding at our long-term investment rate of 8 percent, additional contributions will almost double in 15 years, growing to over $14.6 million
Taking action today creates more freedom and prosperity #ForTheNextGeneration
We Cannot Predict the Future.

We must free our children from the burden of unfunded liabilities so that they have the resources to address their challenges and more importantly their opportunities.
Three Questions Every Leader Should Ask

1. What's our total unfunded liabilities?
2. What's our annual contribution?
3. What are we going to do about it?