



EAST LANSING AGENDA

Financial Health Review Committee Meeting

5:00 PM - Thursday, June 25, 2026

Hannah Community Center - 819 Abbot Road, East Lansing, MI 48823

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1. OPENING	
<i>"The City of East Lansing occupies the ancestral, traditional and contemporary lands of the Anishinaabeg – Three Fires Confederacy of Ojibwe, Odawa and Potawatomi peoples land ceded in the 1819 Treaty of Saginaw"</i>	
1.1. Roll Call	
1.2. Approval of the minutes FHRC - 2026.06.11	2 - 5
1.3. Approval of the agenda	
2. COMMUNICATIONS	
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2.2. Communications from the Audience	
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MINUTES

Financial Health Review Committee Meeting

5:00 PM - Thursday, June 11, 2026

Hannah Community Center - 819 Abbot Road, East Lansing, MI
48823

The Financial Health Review Committee of the City of East Lansing was called to order on Thursday, June 11, 2026, at 5:03 PM, in the Hannah Community Center - 819 Abbot Road, East Lansing, MI 48823, with the following members present:

PRESENT: Chair Jill Rhode, Commissioner Dale Kruithoff, Councilmember Mark Meadows, Commissioner Robert Kleine, Commissioner Timothy Irvin, Vice Chair Roberta Jameson, Commissioner David Lancaster, and Commissioner Ann Holmes

EXCUSED:

1. OPENING

"The City of East Lansing occupies the ancestral, traditional and contemporary lands of the Anishinaabeg – Three Fires Confederacy of Ojibwe, Odawa and Potawatomi peoples land ceded in the 1819 Treaty of Saginaw"

1.1 Roll Call

Commissioner Irvin was absent at the time of attendance (arrived at 5:04 PM).

1.2 Approval of the agenda

Moved by Jill Rhode, seconded by Roberta Jameson, to amend the agenda by moving items 3.4 and 3.6 to the beginning of the Business Agenda and approve, as amended.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

1.3 Approval of the minutes

Vice Chair Jameson recommended amending the minutes to reflect:

- Commissioner Holmes voted NAY on police recommendation 4.1
- Commissioner Holmes stated she would reword budget processes draft recommendation 6.1

Moved by Jill Rhode, seconded by Roberta Jameson, to approve the minutes from the May 28, 2026 meeting, as amended.

YEA: Jill Rhode, Dale Kruihoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

2. COMMUNICATIONS

2.1 Written Communications

All written communications received by the Committee are posted on the online agenda packet.

2.2 Communications from the Audience

Dana Watson, resident, spoke on the department budgets item on the agenda.
Christine Root, resident, spoke on the department budgets item on the agenda.

2.3 Communications from Committee Members

None.

3. BUSINESS AGENDA

3.1 Department Budgets

Commissioner Lancaster expanded on the draft recommendation.

3.2 Income Tax

Chair Rhode recapped the two draft recommendations.

Vice Chair Jameson went over approximate use of current income tax resources.

Commissioner Kleine inquired on how the income tax for other municipalities works.

Commissioner Irvin asked about the pool of employees receiving a pension.

Commissioner Lancaster spoke on the millage rates.

Council Liaison Meadows discussed the history of the City's income tax and how it was perceived when it was first put on the ballot.

Moved by Roberta Jameson, seconded by Robert Kleine, to include Income Tax - Proposed Recommendation #2 in the final FHRC report.

YEA: Robert Kleine, Roberta Jameson, and David Lancaster

NAY: Jill Rhode, Dale Kruihoff, Timothy Irvin, and Ann Holmes

DEFEATED.

Moved by Jill Rhode, seconded by David Lancaster, to include Income Tax - Proposed Recommendation #1 in the final FHRC report.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

3.3 MSU Event Ticket Surcharge

Chair Rhode recapped the MSU Event Ticket Surcharge recommendation.

Vice Chair Jameson proposed adding language to the second paragraph to state that Senate Bill 1148 has been introduced to the State Legislature to allow municipalities to impose a ticket enhancement fee for entertainment events.

Council Liaison Meadows stated that Senate Bill 1148 died in legislative session and proposed that the recommendation include language to encourage legislatures to introduce a new bill.

Moved by Timothy Irvin, seconded by Ann Holmes, to include the MSU Event Ticket Surcharge recommendation, as amended, in the final FHRC report.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

3.4 Volunteer Financial Group

Commissioner Holmes recapped the Volunteer Financial Group recommendation.

Vice Chair Jameson and Commissioner Irvin discussed if the recommendation would cover the volunteer financial group educating residents on unique, significant items, such as the income tax.

Moved by Ann Holmes, seconded by Roberta Jameson, to include the Volunteer Financial Group recommendation in the final FHRC report.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

3.5 Balanced Budget

Chair Rhode recapped the updated Balanced Budget recommendation.

The Commission discussed the updates from the previous balanced budget recommendation.

Moved by Jill Rhode, seconded by Dale Kruithoff, to include the Balanced Budget recommendation in the final FHRC report.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

3.6 Finance Website

Chair Rhode read the draft Finance Website recommendation.

Commissioner Kruithoff suggested the consideration of a financial dashboard.

Commissioner Kleine recommended including links to the Department of Treasury.

Moved by Jill Rhode, seconded by Roberta Jameson, to include the Finance Website recommendation in the final FHRC report.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

4. ADJOURNMENT

Moved by Timothy Irvin, seconded by Roberta Jameson, to adjourn.

YEA: Jill Rhode, Dale Kruithoff, Robert Kleine, Timothy Irvin, Roberta Jameson, David Lancaster, and Ann Holmes

CARRIED

Meeting adjourned at 6:27 PM.

Financial Health Review Committee
Chair

Administrative Secretary

City of East Lansing Financial Review Team

Report Presented July XX, 2026 – DRAFT!!

The City of East Lansing Financial Review Team, established in December 2025 is presenting our final report.

The committee members are Timothy Irvin, Roberta Jameson, Ann Holmes, Robert Kleine, Dale Kruithoff, David Lancaster and was chaired by Jill Rhode. We met 13 times from January 15, 2026 to July 9, 2026. We want to thank all the individuals who made presentations to help us learn and understand. We want to especially thank the staff of the Finance Department for their patience, time and effort. We also need to thank our Council liaison, Mark Meadows.

We have many recommendations which are detailed in this report within the categories Budget Procedures and Financial Reporting, Revenues, Expenditures and Other. While in our review, we may have discussed other funds within the City, the majority of our recommendations pertain to the General Fund.

Our review found that the current finances of the City are not dire but there are some concerns. The upcoming elimination of the income tax would have a material negative impact on the General Fund and services to the community. These recommendations could offset much of this concern.

In addition, we have made some procedural recommendations which we believe will improve the budgeting process and communication with the citizens.

Budget Procedures and Financial Reporting

1. Vacancy Factor

We recommend that the City annually budget a “vacancy factor” to account for open unfilled employee positions. In the past, the City’s budget has assumed that all positions are fully staffed for the entire year. This results in the over budgeting of costs. This recommendation was made early so that it could be implemented for the 2026-27 budget.

2, Property Tax/BWL

We recommend that the loss of the annual revenue from the BWL franchise fee be absorbed by adjusting the annual operating budget as necessary, without increasing property tax millage rates.

3. Balanced Budget

We recommend that the City Manager Proposed General Fund annual budget has expenditures equal to revenue with the exception of planned use of fund balance. The use of Fund Balance should be for specific items, and a listing of all these items needs to be included with the proposed budget.

4. Use of Future Debt

We recommend that debt service be used to fund allowable city owned capital outlay projects. We also recommend that the debt service be funded from existing operating fund sources.

5. Budget to Actual Comparisons

We recommend that quarterly allotment schedules be prepared for the General Fund and that quarterly reports compare at least personnel expenses to budgeted personnel amounts to determine that budgeted personnel savings estimates are being realized throughout the fiscal year which should help determine if the vacancy factor is within budget.

The Adopted Budget seems to be only a listing of each of the funds supporting the total budget, while the proposed budget is totaled by departments. We also recommend that the quarterly financial report include both the adopted budget along with the current amended budget so that citizens can see the impact of the dollar changes by department throughout the year.

6. Indirect Cost Allocations

We recommend that the city explore alternative internal cost adjustment methods of accounting for indirect cost allocations. The current display of indirect cost allocations as a negative expenditure adjustment for central administrative functions such as City Manager, Finance, Treasury, etc. understates the actual cost of that function and hides the cost of supporting that function to the other departments.

7. Finance Department Website

We found that it was difficult to locate financial information on the City's website. To assist users, we recommend that the Finance Department establish a webpage which would report all financial documents in one location. This would include budgets, budget updates, quarterly financial reports and annual financial statements. This will offer citizens and other users a "one-stop" location to find all city related financial information.

Revenues

8. Income Tax Extension

The authorization for the income tax along with the accompanying 5 mills reduction in property taxes expires in 2030. The net proceeds are required to be used as follows: 60% for supplemental pension funding, 20% for infrastructure and 20% for public safety.

The current requirement is for the pension to be fully funded by 2040. If the income tax was to continue after 2040, there would be a large amount of unallocated tax revenue available.

In addition, if the income tax revenue could be used to contribute additional funds to fully fund the Other Post Retirement Benefit "OPEB" liability this could materially reduce the cost for retiree health insurance.

Extending the income tax beyond 2040 will result in significant unallocated revenue. Since this is 14 years in the future, it is difficult to determine what are the possible uses for this excess revenue. Therefore, we recommend that the City propose an extension of the income tax and resulting property tax reduction for an additional 10 years to 2040.

In addition, we recommend that the allocation be changed to 60% for long-term liabilities (to assist with funding the OPEB liability), 20% for infrastructure and 20% for public safety

9. Property Taxes

Improving affordable housing opportunities is in part dependent upon controlling the costs of home ownership. Therefore, we recommend that, in general, property tax increases be the last choice for balancing the city operating budget.

10 P.A. 289 Fire Protection Reimbursement

We recommend that the city report all fire protection-related expenditures, including all firefighter-related surplus pension payments, when submitting information for inclusion in the P.A. 289 formula that is used to distribute state funds to municipalities that provide fire services for state facilities.

11 Parks and Recreation Fees

We recommend that the Parks & Recreation fee structure be reviewed to determine if higher non-resident fees are appropriate.

12 Parks & Recreation Auditorium

We recommend that Parks & Recreation establish a Local Talent Incubator by coordinating with local booking agencies/performing artists to use the auditorium to promote/highlight area talent. An admission fee to attend performances could be charged in order to help support Hannah Center maintenance costs.

13 Street Lighting Special Assessment

Several local communities are assessing special assessments for the cost of street lighting. While we have not had the time or expertise to conduct a complete review of this option, we have determined that this could be a substantial revenue source.

We recommend that the City conduct a full review of this option to determine the feasibility of implementing a special assessment program for the cost of street lighting.

(This proposal was not supported by Jameson)

14 State Revenue Sharing

The 2015 city-funded study estimated the uncompensated cost of MSU to the city of East Lansing was \$3.745 million. Adjusting for the rise in CPI, that would be over \$5.2 million in 2026. State revenue sharing is currently based on the population of East Lansing without accounting for MSU students. The governor's proposed revenue sharing for 2026-2027 is \$6,950,966 for East Lansing or approximately \$140/person based on a 49,435 population. Given the 2025 enrollment of MSU of 51,838, counting MSU students in the East Lansing population could result in up to \$7.26 million to the city. Recognizing that most students are on campus roughly nine months of the year, each student could be counted as 0.75 full-time equivalent residents. That would reduce the additional state revenue sharing to \$5.45 million, a close match to the uncompensated cost.

The committee recommends that the city aggressively pursue changes to state law that would add students from the fifteen state universities to the population of the municipalities in which those universities are located. This would require the amendment of MCL 141.903 (1) where "population" for the purpose of revenue sharing is defined. We suggest working through our elected representatives and seeking the support of legislators who represent other municipalities that encompass state universities.

15 MSU Events Surcharge

During some or most of Michigan State University (MSU) events, the City of East Lansing provides services and resources. We recommend that city officials and representatives from MSU work together to determine if adding a surcharge to tickets for MSU events is mutually beneficial in providing reimbursement for said services and resources.

The State Legislature has previously entertained a proposal to impose such a fee, but it excluded “collegiate athletic events” and “an event held at a venue with a capacity of 500 individuals or fewer”. We encourage the City to work with elected representatives and/or lobbyists to support similar legislation which would allow a ticket surcharge for college events. We also urge the city to coordinate with other municipalities which could benefit from this legislation

Expenditures

16 Employee Health Insurance Contribution

We found that in 2026 employees have not been contributing to their health insurance premium. This is very rare among municipalities.

It is our understanding that this has recently changed for next year’s health insurance plans and that the employees will be contributing and we support this change

We recommend that employees continue to contribute to their health insurance for all future periods for the existing health insurance options.

We also recommend that the City offer other health insurance options such as a High-Deductible Plan which would allow employees to contribute to a Health Savings Account. This may be financially beneficial to some employees.

17 Capital Improvement Plan Review

We recommend that as part of the annual budgeting process that the Capital Improvement Program be reviewed and approved by the City’s Planning Commission. It appears that this is not being done on a consistent basis and that this should be a requirement of the annual budget process.

This would allow a Citywide independent review by a citizen group of the priorities and costs for all projects rather than decision being made on a department-by-department basis.

18 Capital Asset Purchase

We recommend that a proposal to purchase material capital assets must include an evaluation of maintenance costs/depreciation costs as part of the City Council's consideration.

19 Hannah Center Third Floor

We recommend that renovations of the unused Hannah Center third floor be included in the capital outlay plan to maximize community use of the center. Class fees and possible other charges can help offset the cost of maintenance/utilities for the 3rd floor.

Other

20 Retiree Health Insurance Liability

When meeting with the outside Actuary concerning the City's Other Post-Employees Benefits (OPEB) liability, it was determined that if the plan was fully funded a majority of the amount needed for retiree health insurance could be paid from the plan rather than from the City's annual budget. These could save a substantial amount annually.

As of 12/31/24 (the most recent calculation), the liability was \$11.1 million. Once it is fully funded, the future cost of retiree health insurance would be materially reduced for all future periods.

We realize that \$11.1 million is a large amount but not necessarily when compared with some of the City's other long-term liabilities

The current language concerning the allocation of the income tax revenue requires that 60% of the net revenue be used to reduce the pension liability. If the income tax is extended, we recommend that this requirement be changed from reducing pension liability to reducing long term liabilities which could provide OPEB funding.

Until that time, we recommend that the City determine if additional funding is available on an annual or one time basis to work toward fully funding the OPEB liability.

21 Possible Sale of City Assets

We recommend a review of city assets to determine whether the asset should be sold with priority consideration given to any excess property which could be converted to owner-occupied middle-income housing.

22 Police Officers Funded by the Downtown Development Authority

We recommend that the city consider hiring new police officers supported by Downtown Development Authority funding ahead of other positions that will be supported by the General Fund.

(This proposal was not supported by Holmes)

23 Regional Coordination

We recommend regional coordination in the areas of public safety, the district court, and other service consolidations through an authority, intergovernmental agreement, or other legal framework when it saves dollars or results in increases in efficiency or levels of service.

24 Volunteer Financial Group

We recommend that the city consider establishing a volunteer network of East Lansing residents to be utilized as follows:

- a. Become familiar with the city's budget process as well as recurring revenues and operating expenditures.
- b. Review the city's quarterly financial updates.
- c. Be prepared to advise in the event of unexpected sudden changes in the City's financial outlook regarding new revenues and/or expenditures.
- d. Assist the City in financial outreach information and presentations to further enhance transparency goals.