

# **Regular City Council Meeting Agenda October 25, 2021**

**7:30 p.m.**      **Call to Order**  
**Pledge of Allegiance**  
**Roll Call**  
**Approval of City Council Minutes: October 11, 2021**  
**Approval of Bills: None**  
**Approval of Agenda**

**Proclamation**

**Public Comment**

**Discussion - Downtown**

**Fire Chief Report**  
**Police Chief Report**

**I.    Unfinished Business**

**II.   New Business**

- 1.   Set CDBG Public Hearing**
- 2.   Nyhart Actuarial Valuation**

**III.   Budget**

**IV.   Public Comment**

**V.    Manager's Report**

**VI.   Council Comments**

**VII.   Closed Session: "Closed session pursuant to the Open Meetings Act, MCL 15.268(h), to consider attorney/client privileged communication."**

**VIII.   Adjournment**

**\*Please see reverse side for rules of conduct for public comment at City Council meetings\***

City of South Lyon  
Regular City Council Meeting  
October 11, 2021

Mayor Pelchat called the meeting to order at 7:30 p.m.

Mayor Pelchat led those present in the Pledge of Allegiance

Roll Call: Councilmembers: Dilg joined the meeting from South Lyon MI, Kurtzweil joined the meeting from South Lyon MI, and Kennedy joined the meeting from South Lyon MI, Richards joined the meeting from South Lyon MI, Walton joined the meeting from Gregory MI, and Kivell joined the meeting from South Lyon MI

Also present: City Manager Zelenak, Attorney Hamameh, Chief Sovik, Deputy Chief Weir, DDA Director Mack, Finance and Benefit Administrator Tiernan, Superintendent Varney and Clerk/Treasurer Deaton

### MINUTES

Councilmember Kivell stated the word they on page 2 under the fire chief report should be changed to they'd. Councilmember Kennedy stated on page 6, Kingsway should be changed to Kings.

#### CM 10-1-21 MOTION TO APPROVE MINUTES

Motion by Kivell, supported by Kennedy

Motion to approve the minutes as amended

VOTE:

MOTION CARRIED UNANIMOUSLY

### BILLS

#### CM 10-2-21 MOTION TO APPROVE THE BILLS

Motion by Kennedy, supported by Dilg

Motion to approve the bills as presented

VOTE:

MOTION CARRIED UNANIMOUSLY

### AGENDA

#### 10-3-21 MOTION TO APPROVE THE AGENDA

Motion by Dilg, supported by Walton

Motion to approve the agenda as presented

VOTE:

MOTION CARRIED UNANIMOUSLY

### CONSENT AGENDA

1. Downtown kids' trick or treat

2. Ladies' night out November

#### CM 10-4-21 MOTION TO APPROVE THE CONSENT AGENDA

Motion by Kurtzweil, supported by Kennedy

Motion to approve the consent agenda as presented

VOTE:

MOTION CARRIED UNANIMOUSLY

### PUBLIC COMMENT

Alex Hansen of 948 N Mill stated he is running for City Council and he wanted to comment on a couple of projects that he is excited about that is happening in the city. He stated both of the projects are the type of projects he thinks we should be working on. He stated one of the projects is the charging stations and the reimbursement for the charging stations cost. He is extremely excited because the hardware is free and it will drive more people and business to our town. From his experience, when your electric vehicle

needs a charge, there are apps that are available that will allow the user or driver to find a location to charge their vehicle. He stated not only will our residents be able to utilize the charging stations, but we also bring people to town that may have not normally stopped in our town. He then stated he is interested in seeing how much use each station will have. Mr. Hansen stated the other project is the SEMCOG grant that is being rewarded to South Lyon to develop a Pathway Mobility Master Plan for the existing shared use pathway system throughout the city. This is extremely positive for the city and will allow the city to assess the physical condition of existing paths and evaluate the pedestrian crossways in the city. And the fact it isn't costing the city anything is exceptional and he is excited to see what develops. He then thanked everyone for making our city better.

Ryan Lare stated he didn't attend the previous meeting, but he reviewed it and he was appalled by Councilmember Kennedy treating our City Manager terrible and he is ashamed of his treatment. Our City Manager does an amazing job. He had no idea why he was being attacked and unless you want to step into his position, which you don't, you should be praising him for his hard work and trying to support him instead of belittling him. He is asking someone on Council to ask for a review or censure for his actions. We need to send a message that bullying will not be allowed and this isn't the first time it's happened. We need to treat everyone with respect, we don't all have to agree, but if we want to make a difference, and if you don't understand something, act nicely. He then told the City Manager he is doing a great job and he is glad he is here. He then stated all the city employees that are here that aren't always mentioned and they are all appreciated.

#### DISCUSSION- Downtown

Downtown Director Nate Mack stated he spoke with the owners of the Twisted Cork Winery and they completed their paperwork but they don't have an opening date yet. Mr. Mack stated he submitted the paperwork for the \$500 Flagstar grant for the mural and we should be receiving that in the next week. He then stated the DDA will also be receiving a \$1,000 grant from Oakland County for the mural program. He then reminded everyone the DDA will be meeting this week via zoom to discuss other DDA programs. Councilmember Dilg thanked him for his support for getting things in order for Ladies Night and she thinks it will be great and much safer with the larger area. Councilmember Walton stated she enjoyed chatting with him at the Farmers Market and she is happy he is meeting with the downtown businesses regarding Ladies Night and she thinks their suggestion of moving Ladies Night to a weeknight instead of Friday and maybe moving it back to October is a good idea. She stated a focus group may be a good idea for next years Ladies Night. Councilmember Kurtzweil asked about the old draft street building. Mr. Mack stated the permits are still active, but things are moving slower there, it could be due to a lack of building materials. Councilmember Richards asked about the excavation that was done next to the old grapevine market, there use to be a right of way per the city layout. Mr. Mack stated he would look into and let Council know what he finds out. Councilmember Kivell stated it is excavated right up to the building. He then asked for the dates and times for the Downtown Trick or Treating and Ladies Night. Mr. Mack stated the kids trick or treating is on October 28<sup>th</sup> and there will also be a pet parade at 7pm that evening. He then stated Ladies Night is November 12<sup>th</sup> from 5-9pm The streets will be closed from 4:00 – 9:30 p.m. Councilmember Kennedy asked him to discuss the cost for the use of the charging stations. Mr. Mack stated they are looking at a 5-year lease agreement with ChargePoint. We will be receiving a \$5,000 reimbursement from DTE once the stations are installed. They are suggesting we charge for the use of electricity to help pay for the lease agreement and the costs of the electricity. He then stated they are recommending anywhere from \$1.00 to \$2.00 per hour. Councilmember Kivell stated the optics of that is good for the city and he doesn't think it is a ridiculous ask to have them pay for the use of the electricity.

### FIRE CHIEF REPORT

Deputy Chief Weir thanked the South Lyon Civitan Club for donating smoke detectors so we can install them in people's homes and it is fire prevention week and the SL Fire Department will come out and install smoke detectors if there is a need. He then stated their new air packs have arrived with the retailer and he is hoping to get people trained on those and we should receive them in the next month. He said the firefighters received extracation training by cutting up some cars at the water plant which is always a favorite. He said they also did their CPR certifications this week. He then thanked Captain Armstrong for working with Lowes that allowed us to get over \$900 in materials for the training building at the water treatment plant. He stated if anyone needs anything until the new Fire Chief is hired, they can reach out to them. The phone number at the fire department is 248-437-2616 if anyone would like to request a smoke alarm.

### POLICE CHIEF REPORT

Chief Sovik stated they are working on the First Responders Memorial Fund by giving out coins, which is a gift, you don't have to donate. He stated if you want to donate, you are more than welcome too. We are trying to raise \$30,000 and the cost is high due to the cost of steel, although we are hoping it will come down. They are working with Superb Fabricating. He stated one of the goals is to not touch general fund money. He stated they will have a temperature sign installed showing how much money has been raised and how much they are hoping to raise. They are hoping to raise the money by July 1<sup>st</sup> next year. Chief Sovik then explained that they have a succession plan in place, long term, mid term and short term. He then stated he plans on retiring December 2022. He then stated the DEA takeback program is October 23 from 10am to 2pm. He stated they will take old prescription drugs at any time, they just don't take non prescription drugs. He then congratulated Detective Raap and Sgt. Dean Caldwell of the Wixom Police Department completed the Chicago Marathon and Detective Raaps charity was the UPS for DownS Charity and Sgt. Caldwell ran for St. Jude. They have been raising money for almost a year for now. He then congratulated the undefeated South Lyon Varsity Football team, they have had a great season, very excited. He then stated they have been issuing more citations for people turning right on red in town and on one of the last ones, they made a felony arrest. He then stated the speed radar signs are out and we will continue to run those until inclement weather. Chief Sovik stated there has been an uptick in thefts of catalytic converters, so if you see anything say something, they have been hit hard in Livingston County and we had one in South Lyon. He then stated the cement concrete pad has been poured for our generator and they are hoping to get it in the next few weeks. Councilmember Dilg thanked him for the coin and she will be making a donation. She then asked how they can donate. Chief Sovik stated anyone can come down to the police department at the South Lyon Police Department or to City Hall. Councilmember Kurtzweil commended him for his succession planning, it has been an issue with her since she got on Council. It is extremely important for communities, especially in fire and police. She stated someone asked her why the space force isn't represented at the memorial. She further stated they don't have veterans yet that have served in a war, so that is what she told that person. Chief Sovik stated that was a good answer, but he doesn't know why and he will check into it.

### PRESENTATION: 2020 Audit Presentation- Plante Moran

Doug Bohrer and Spencer Tawa of Plante Moran presented a slide presentation of the city's 2020 audit. \*The full slide show and audit can be found on our website at [www.southlyonmi.org](http://www.southlyonmi.org) and attached to the minutes.

Mr. Bohrer stated the audit was a hybrid format this year, some in person and some virtual. He thanked City Manager Zelenak, Finance and Benefit Administrator Tiernan and Clerk/Treasurer Deaton and all their staff, the Mayor and the Police and Fire Chief. The slide show referenced an unmodified opinion which is the highest form of assurance which is one of the most important items. Mr. Bohrer explained

the fund balance remains healthy and in the past year the city had 2.8 million dollars of capital outlay which a big portion of that was the phase 1 of the water treatment plant improvement project. He then stated the city has about \$88000.00 for unspent property tax levied for future bond principal and interest payments. The city utilized \$1.6 million in restricted funds for water treatment plant improvement projects. Spencer Tawa of Plante Moran then began explaining the remaining graphs. He stated the general fund revenue was \$7.3 million dollars and it has been steadily growing over the past few years based on rising taxable values, as well as the city receiving grants in the amount of \$285,000 that included federal money and Oakland Money. Construction permits went up from the previous year. Property taxes is the largest form of revenue for the city which the taxable value had continuously increased. It was \$340 million in 2018 and is currently at \$399 million. He then stated the South Lyon citizens have approximately \$17.3 million dollars levied over the past year, but only 37% stays with the city that includes operating, debt service and the DDA. Of the remaining money 24% is distributed to the schools, along with 14% going to state education, 11% ISD and Oakland Community College and a small portion to the County, Library, art, zoo, Huron Clinton Metro Park, and Oakland County Parks and Recreation. Mr. Tawa stated the general fund expenditures increased from the previous year, mostly due to the increased wages and benefits, mostly because of the contributions to the OPEB trust fund in the amount of \$180,000. He then discussed the annual expenditures and the unassigned fund balance for 2020. He stated there is no certain number that the city should try to keep in its general fund balance, each city is different and it is the city's decision. He then discussed the other governmental funds such as the major and local road funds. The city has a 3.9 million in restricted fund balance which increased from \$540,000 from the previous year. The CDBG Act 51 money can only be used for road improvements only in certain areas of the city. There is 2.6 million in the capital funds total fund balance. He then explained the water and sewer fund. The revenue increased from the previous year due to the water and sewer rate increase in December of last year. There was a significant increase in the capital one debt service from the previous year related to the water and sewer improvements that was in excess of \$1.5 million. Tap in fees also increased by \$250 thousand this year due to more activity. Mr. Tawa then discussed the total balance sheet for the city which reflects the net pension liability which is approximately \$6 million dollars, while the OPEB liability is approximately \$418,000. He stated the total net position on government wide basis are \$23 million and business activities reflect \$28.4 million which is not all restricted funds. He then explained the restricted and unrestricted has increased in the last few years. As the city is replacing capital assets, we expect the funds will decrease in the future. Mr. Tawa then explained the legacy costs of the \$6 million pension, the city is 69.18% funded. For the OPEB, the city is 25.7% funded with a balance of \$418,273. He stated the pension only increased a small amount. There were good investment returns, but there were also some changes in the assumptions such as the mortality table. He then discussed the debt service payments for the next few years. From governmental standpoint, there isn't a lot of debt the city owes. The water and sewer have the main debt, which is over \$1 million a year. The payments are scheduled to be paid until 2026, in addition the city has restricted funds that could offset that. After 2026, the only remaining debt will be the drinking water fund debt which will be through 2034. He then discussed the American Rescue Plan Act which reflects the city will get \$1,237,287 with 50% coming this year, and 50% in 2022. There is no rush to spend the money, the city has through 2024 to spend the money. There are restrictions on the money. It can be used for public health and economic impacts, premium pay, revenue loss and infrastructure, water, sewer and broadband. Funds cannot be deposited into any pension fund and with all federal funds, the city will be required to comply with compliance and reporting requirements for the grant. Many communities are planning on using it for infrastructure. Mr. Bohrer stated the end of audit letter has some informational items and some required information. He stated there were no internal control matters this year. Last year there were two issues, bank reconciliation and journal entries. He further stated both items last year were taken care of. He then stated we didn't have any significant transactions recognized in a different period than

when the transaction occurred. He then stated, they do have some recommendations such as the restricted assets within water and sewer fund. The city has been following a policy of how tap in fees is recorded based on a resolution from 1989. The city has been consistent, but they suggest the city look at it again, and see if it still makes sense to continue doing this today. He further stated they suggest looking at deposits payable, although the city is already looking at this by using another software vendor. Another thing they think the city should look at is the investment returns, although it is restrictive on the returns as it has been for a while. The city has been considering investing with the Oakland County Investment Pool which may show some higher returns. Another issue the city should look at is the way equipment charges are handled. There are a number of charges that are used for use of equipment and some haven't changed, but the city could take a deeper dive and look into this. A couple of other highlights can be found in the letter to the Mayor and Council. Councilmember Kurtzweil thanked Plante Moran for the great job they do. She then asked about the proprietary fund and why there was a loss. Mr. Bohrer stated the decrease included depreciation. Councilmember Kurtzweil stated it is good to know this has to do with how we are now updating our rates. She then stated some of the tax collection is for other entities, and because we are holding money for 3<sup>rd</sup> parties, we now have a fiduciary duty to ensure the money is paid out to those individuals. There is a higher level of care. Mr. Bohrer stated the duty has been there all along, the city has always been collecting the funds. This is the first year they presented it. The Treasurer disburses those funds, they don't hold onto them, it is a collection and disbursement process. Councilmember Kurtzweil stated we worked hard on the budget, but she doesn't understand how we had an increase in our general fund by \$783,000. She stated the Police and Fire were both under budget, and that did play a role in it. Mr. Bohrer stated that definitely played a role in that as well as due to expenditures not being as high as expected such as the public works funds, and the parks and recreation fund. Councilmember Kurtzweil stated the city needs to budget better, these are big numbers to be off. Mr. Bohrer stated we are seeing across many communities the expenditures of the parks and recreation funds are down due to the decrease use of facilities during the pandemic. Also, a factor is when positions do not get refilled or get refilled halfway through the year. He further stated we were within 5% of the budget. Councilmember Kurtzweil asked why we didn't know about this when we approved the budget and passed the budget amendment. Finance and Benefit Administrator Tiernan stated we were watching the expenditures, but we did have some that were out there, but they didn't come in until after June 30<sup>th</sup>. We sometimes will have some outstanding things that doesn't come in until July. There were a few things the Fire Department wanted to make some purchases but were unable to get them in the 2020 budget year. She further stated the Police Department didn't utilize as much overtime as they thought they might, so wages and fringes were under. She stated we can look at that again as we close out 2021-2022. There were a lot of timing projects we weren't able to do due to the pandemic, or the lack of bids that came in. Councilmember Kurtzweil asked why the federal government cares what our procurement threshold is, the letter states we must follow theirs which changed from \$5,000 to \$10,000. We are responsible for the taxpayer's money and she isn't happy about allowing someone to make purchases of \$10,000 without coming before council. Mr. Bohrer stated the federal government isn't demanding the city follow that, they raised their threshold and communities can do the same if they choose. The letter is saying that you can't have a dollar amount above \$10,000, that is the limit, but it can be lower. Councilmember Kurtzweil asked about the restricted assets and she encourages the City Manager to get the policy in place for the tap in fees. It has been an issue with this budget, it says there is a resolution out there, but we cannot locate one anywhere, she believes it was discussed during a council meeting years ago. She then asked about the customer deposits payable. She stated she understood the city was looking for a vendor that would keep track of expenditures on the planning side of it, such as when someone comes in and puts money down, there would be a way for us to know if that person owes us more money or if they require a refund. Finance and Benefit Administrator Tiernan stated we are in the process of doing so. We have ordered it with BS&A which is our financial software provider, but they were unable

to schedule us for the last fiscal year due to the change in accounts revision for the State of Michigan. They will be able to do the upgrade when they do our upgraded accounts which should be February 2022 and it should be up and running by March 2022. Councilmember Kurtzweil asked what is changing in the uniform of accounts. Mr. Bohrer stated they are looking for more detail and he thinks they are looking for the ability for communities to upload their general ledgers directly into their state systems. It is mostly for more consistency and detail.

UNFINISHED BUSINESS- None

NEW BUSINESS

1. OCRC- Oakland County cost participation agreement

City Manager Zelenak explained that the City of South Lyon and the Board of Commissioners of Oakland County are considering entering into an agreement to procure a drainage study on Pontiac Trail at a cost of \$56,168. Funding of the agreement will be to use Tri Party Funds between the City, Oakland County and the Oakland County Road Commission. The city's portion would be \$9,361. Councilmember Kennedy stated he is happy this is moving forward; it has been a problem for many years. Councilmember Kurtzweil thanked City Manager Zelenak for getting this grant, we can all remember when Brown's Root Beer was there, all the flooding that occurred and we owe it to our businesses and whatever comes out of it we need to pursue it.

CM 10-5-21 MOTION TO APPROVE COST PARTICIPATION AGREEMENT

Motion by Kennedy, supported by Kivell

Motion to approve the cost participation agreement between the City of South Lyon, Oakland

County Board of Commissioners to procure a drainage study on Pontiac Trail at a cost of \$56,168

ROLL CALL VOTE:

Richards- Yes

Kennedy- Yes

Kurtzweil- Yes

Walton- Yes

Kivell- Yes

Dilg- Yes

Pelchat- Yes

MOTION CARRIED UNANIMOUSLY

2. Capital Improvement study for the clean water plant to update facilities and processes as they pertain to the wastewater treatment plant

Councilmember Richards stated he trusts Superintendent Varney to make the upgrades needed on our water plant, but then asked if he is sure that we need to do this, can't we just continue as we have been.

Superintendent Varney stated he supports this to trust the experts. There are some things that he needs

our engineer's opinion on such as the power supply. This should have been addressed many years ago

and it needs to be addressed now. Councilmember Kurtzweil thanked Doug for taking this on, this should

have been resolved many years ago, and it is smart to get the experts in and that is a sign of smart

leadership.

CM 10-6-21 MOTION TO APPROVE THE CAPITAL IMPROVEMENT STUDY

Motion by Kennedy, supported by Dilg

Motion to approve the purchase of services as detailed by HRC for a capital improvement study

for the amount of \$62,810 under line item 592-557-801 to make necessary upgrades to the

wastewater treatment facilities

ROLL CALL VOTE:

Dilg- Yes

10-11-2021

Kennedy- Yes  
 Walton- Yes  
 Kurtzweil- Yes  
 Richards- Yes  
 Kivell- Yes  
 Pelchat- Yes  
MOTION CARRIED UNANIMOUSLY

### 3. Firehouse Subs grant acceptance

Deputy Chief Weir stated he found out earlier this week they have been given a grant from Firehouse Subs for 8 sets of firefighter bunker gear.

#### CM 10-7-21 MOTION TO ACCEPT GRANT

Motion by Kivell, supported by Kennedy

Motion to accept the grant from the Firehouse Subs Public Safety Foundation in the amount of 23,703.68 for the purchase of 8 sets of firefighting bunker gear

#### ROLL CALL VOTE:

Kurtzweil- Yes  
 Walton- Yes  
 Kennedy- Yes  
 Kivell- Yes  
 Richards- Yes  
 Dilg- Yes  
 Pelchat- Yes  
MOTION CARRIED UNANIMOUSLY

BUDGET- No comments were made

PUBLIC COMMENT- No public comment

#### MANAGER'S REPORT

City Manager Zelenak stated we received the SEMCOG trailways and mobility grant for \$28,647.50 that will study the railway system for the city. We recently received the crosswalk equipment for the South Lyon Hotel, the installation will be done after we verify we have all the parts necessary. He then stated Liberty Street continues to be improved, they will be making additional repairs this week and hope it will be opened sometime this week. We are still moving forward with the Fire Chief position, currently we are still reviewing anyone inhouse that is interested. That will close the end of this week. He reminded everyone that if they want to make a donation for the Veterans Memorial, the checks will need to be made payable to the City of South Lyon. Councilmember Kurtzweil asked if there is a deadline for the installation of the cross walk by the hotel. City Manager Zelenak stated he doesn't have a definite date, but hopefully the end of next week. Councilmember Kivell asked if the crosswalk painting would be done soon, he is hoping before inclement weather it can be made more robust. City Manager Zelenak stated the city has done some, but we have been waiting for the county to come back. Councilmember Kivell asked if he had any project ideas for the ARPA funds the city will be receiving. City Manager Zelenak stated there are very strict guidelines on what the funds can be used for, and we thought that would be discussed with Council. He further stated it isn't for roads or frivolous items, but infrastructure is allowed. Once we get the approval for the funds, we will move forward from there with discussions with council. Councilmember Dilg asked when the repair will be done on the trail by Mill Street, there are construction barrels and caution tape in the area. City Manager Zelenak stated the DPW is working

with HRC to decide what the best fix will be because there is an area that is washed out and it has been repaired before. Councilmember Dilg asked if we have any plans for the money, we budgeted for the trail this year. City Manager Zelenak stated some of the money we will be using toward our trail grant because there are matching dollars we have to fund, then we will be trying to get more money. He applied for another grant funding system. He further stated there are several out there for trailway improvements but some are for maintenance we have. The master plan will show the areas that need more attention. He is looking at next year, but it will still be the current budget year. Councilmember Walton asked for an update on the Market Manager, as well as the Fire Chief position. City Manager Zelenak stated he had mentioned the Fire Chief position is currently being available to in house employees and we will review those then move forward. He further stated the DDA will be discussing the Market Manager position at this weeks DDA meeting.

#### COUNCIL COMMENTS

Councilmember Richards stated they had 17 visitors on Sunday at the museum and there were 30 people enjoying the park and taking pictures. He stated they need more volunteers for the clean up work. He then said on Thursday or Friday last week, they had the barn sale in Salem, and he and a number of people from the historical went and it was an amazing sale and a lot of stuff. He stated there is too much to mention, but the historical society is mainly interested in items that are pre-1900 and he recognized a hand tool and was able to purchase it. He asked to be shown inside the barn that may be used at the historical area in the park and it was locked to the public, and they let him in and it is excellent on the inside. The gardens and the decorations at the village look great. He then thanked the Police Department for the medallions, they are beautiful. He further stated he has been talking to the tube mill and they will be hiring 40 new people by next year, and the starting wage is \$18.50 an hour.

Councilmember Dilg stated we have an Election coming up and just because it isn't a large election, local elections matter as well and she reminded people to do their research, there is a lot of information on the candidates, it is in the Herald and the League of Woman Voters. She thanked the Citivans Club for their donation to the Fire Department. She then stated she was in the city offices for a personal issue with a friend, and it was a delicate situation. Everyone at city hall was very respectful and professional and compassionate with their assistance and we are very fortunate to have employees like that in our city.

Councilmember Walton stated we do have great staff in all of our departments. She then stated she recently had a ladies day out and a few of her girlfriends had a get together and stayed out late and had a sleep over and started the next day at Coral Sash and had a great time shopping there and talking with the owner, then moved down to The Lemon Tree and the Venue, and ended up at the Corner Social. You don't have to wait until Small Business Saturday, have your own day. She then thanked all the business owners and they had a great time.

Councilmember Kennedy reminded everyone know there will be a craft show at the Colonial Acres Clubhouse in Phase V of the development this Saturday, Oct 16<sup>th</sup> from 10:00am until 2:00pm, so it might be a good time to pick up some early gifts for the holidays. He then reminded everyone that we have an election coming up on November 2<sup>nd</sup> for 3 Council Members and the Mayor and he encouraged everyone to do their research. He stated everyone should find out where the candidates stand on the various issues that are important to the city and its residents. Look at the voting guide prepared by the League of Women Voters and the questionnaire that was prepared by the South Lyon Herald for information about the candidates, or at least those candidates who thought it was important enough to take the time and make the effort to complete those questionnaires. This information is available online at

<https://www.vote411.org/> and copies are usually available at the Salem-South Lyon District Library as well. He stated the people you elect at the local level often have greater impact on your daily lives than those you send to Washington. He stated he encourages every voter to know who they are voting for, and to make that selection based on the candidate's qualifications not just the number of yard signs you might see for them. The best voter is an informed voter.

Councilmember Kivell stated he was happy to see Dan Schwegler who is working on the RCA building was finally able to get the cladding along the top end of the building. He must be thrilled; he was getting concerned about the permit timing. He then stated just walking through our town is great, we have so many beautiful homes and business to see, it is a great place to live and he hopes we have good weather for the final farmers markets that are coming up.

Councilmember Kurtzweil stated she wanted to encourage people to vote and she has been working with many groups on election integrity and some of the results that have come through has been disappointing. She then reminded everyone to vote once, and make sure the signature on the back of your ballot is yours, do not forge anyone's signature and don't send in ballots that use to live in your house or for your children, we need to keep the integrity of our Election very clear and good. We have a good situation we have in town; she has gone through the voting lists in town and there have not been any irregularities that were in the City of Detroit. Everyone needs to keep that in mind. She then stated Abe Ayoub who is one of the most successful realtors in South Lyon recently worked with the DPW and the city regarding a property he was selling, and a sidewalk that needed to be replaced and he was very impressed with the sidewalk 50/50 program the city has available for the residents. She thanked Marianne and Ron for all the city employees, you have given the city 5-star service. She stated Abe said it was truly a pleasure to work with the city.

Mayor Pelchat stated we have good weather this week and he hopes everyone can get out to the South Lyon East versus South Lyon High a week from Friday at the South Lyon High School and over the past 10 years, it has been a great healthy rivalry and everyone should experience it.

#### ADJOURNMENT

#### CM 10-8-21 MOTION TO ADJOURN

Motion by Kurtzweil

Motion to adjourn the meeting at 9:30 p.m.

VOTE:

MOTION CARRIED

Respectfully submitted,

\_\_\_\_\_  
Mayor Dan Pelchat

\_\_\_\_\_  
City Clerk Lisa Deaton



Mayor

Daniel L. Pelchat

Council Members

Lisa Dilg

Glenn Kivell

Rose Walton

Margaret J. Kurtzweil

Stephen Kennedy

Carl Richards

City Manager

Paul Zelenak

Clerk/Treasurer

Lisa Deaton

335 S Warren

South Lyon, MI 48178

Phone: 248-437-1735

Fax: 248-486-0049

[www.southlyonmi.org](http://www.southlyonmi.org)

Office of the Mayor

**PROCLAMATION**

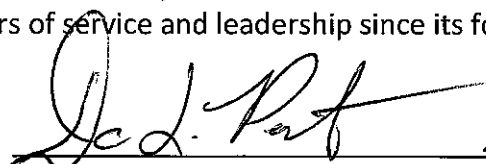
WHEREAS, October 30, 2021 marks a milestone for the First Presbyterian Church celebrating their 190<sup>th</sup> year in the City of South Lyon; and

WHEREAS, the First Presbyterian Church has been a welcoming and affirming congregation since its inception in 1831 when it became the first congregation in the City of South Lyon; and

WHEREAS, the congregation has grown over the years from its beginnings as a wooden meeting house on 10 Mile Road to its current home, a brick building on East Lake Street erected in 1883, that has been renovated and added on to through the years; and

WHEREAS, the First Presbyterian Church has been and continues to be an important and caring part of the community contributing to the spiritual and physical health of its membership.

NOW THEREFORE, I, Daniel L. Pelchat, Mayor of the City of South Lyon on behalf of the City Council and the entire community offer congratulations to the First Presbyterian Church and their membership on providing 190 years of service and leadership since its founding.

  
Daniel L. Pelchat, Mayor

10/25/21  
Date

## **AGENDA NOTE**

Item No. /

**MEETING DATE:** October 25, 2021

**PERSON PLACING ITEM ON AGENDA:** City Manager

**AGENDA TOPIC:** Set CDBG Public Hearing

**EXPLANATION OF TOPIC:** Each year the U S Department of Housing and Urban Development (HUD) provides funds to jurisdictions throughout the country for projects that meet their national objectives. Here in South Lyon we receive funds from HUD via Oakland County. This coming year our tentative allocation will be \$27,487. Last year the City designated the funds to be used for the Senior Center and Haven. The 2022 CDBG application deadline for receiving CDBG Funds for the upcoming year is Friday, December 17,2021.

Tonight we are requesting to schedule our CDBG Public Hearing for Monday, November 22, 2021 at 7:30 PM. This will be published in a local newspaper which gives the opportunity for hearing public comments relating to allocating those funds in South Lyon.

**MATERIALS ATTACHED AS SUPPORTING DOCUMENTS:** Public Hearing Notice for the 2021 CDBG Public Hearing Notice and Area Wide Benefit Map.

**POSSIBLE COURSES OF ACTION:** To schedule or not schedule the 2022 CDBG Public Hearing for 7:30 PM on Monday, November 22, 2021.

**SUGGESTED MOTION(s):** Motion by \_\_\_\_\_, supported by \_\_\_\_\_ to schedule or not schedule the 2022 CDBG Public Hearing for 7:30 PM on Monday, November 22, 2021.

**City of South Lyon**  
**Notice of Public Hearing**  
**Community Development Block Grant Funds**

NOTICE IS HEREBY GIVEN that the City of South Lyon will hold a public hearing regarding the use of Community Development Block Grant Funds. The Hearing will be held on Monday November 22, 2021 at 7:30 pm at the regularly scheduled South Lyon City Council Meeting, which will be held electronically for the purpose of hearing public comments on the Community Development Block Grant (CDBG) Program Year 2022 application to fund eligible projects. All interested citizens may join the electronic meeting. Comments may also be received in writing Monday November 22, 2021 at 5:00 pm. arrangements to reasonably accommodate special needs, including handicap accessibility or interpreter, will be made upon receiving 72-hour advance notice. Contact Lisa Deaton City Clerk/Treasurer at (248) 437-1735 at City Hall for special services.

Lisa Deaton, City Clerk/Treasurer

\*electronic meeting information will be added before publishing\*



**OAKLAND COUNTY**  
**COMMUNITY & HOME IMPROVEMENT**  
 Oakland Police  
 250 Elizabeth Lake Road, Ste. 1900  
 Pontiac, MI 48341-0414  
 248.856.0493  
 www.oakgov.com/cmi

# Area-Wide Benefit Map

## City of South Lyon

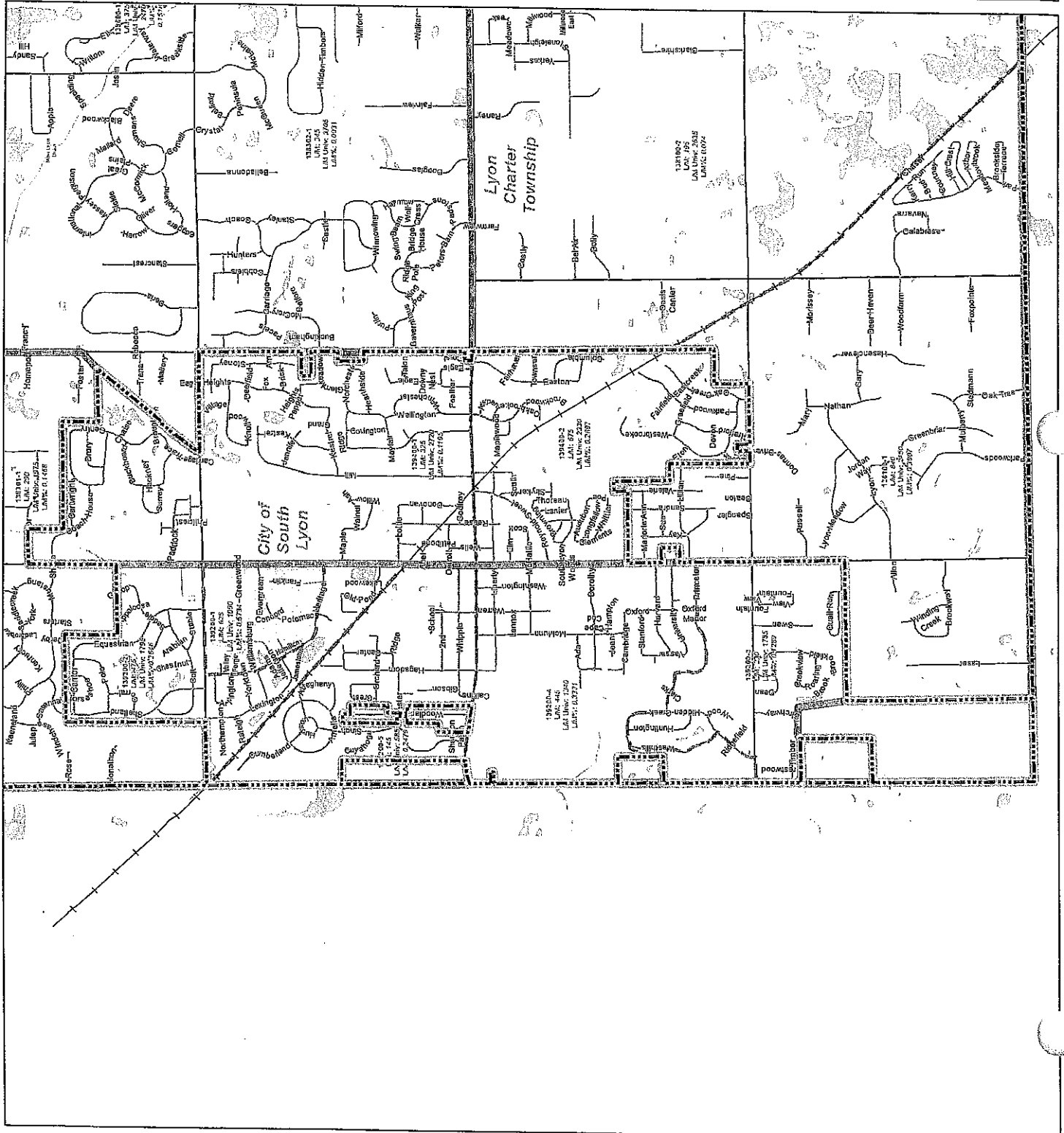
- County Border
- Community Boundary (Highlighted)
- Community Boundary (Adjacent)
- Census Tract 2010
- Eligible Area-Wide Benefit Block Groups
- Non-Eligible Block Groups
- Interstate
- US
- State
- Major
- Minor
- Railroad
- Waterbodies



1 in = 0.48 miles

This Census Block Group map reflects the 2011-2015 American Community Survey (ACS).

Revised On: 01/2020



# **AGENDA NOTE**

## **New Business Item #2**

**MEETING DATE:** October 25, 2021

**PERSON PLACING ITEM ON AGENDA:** Patricia Tiernan, Finance and Benefit Administrator

**AGENDA TOPIC:** GASB 74/75 Interim Actuarial Valuation for Fiscal Year Ending June 30, 2021

**EXPLANATION OF TOPIC:** As part of the City's 2-year contract with Nyhart, an Interim Actuarial Valuation for Fiscal Year Ending June 30, 2021 was completed for the GASB 75 section of the Annual Audited Financial Statements. Page 17 of the Report includes PA 202 Uniform Assumptions Disclosures that will be filed with the State of Michigan. The New Entrant Normal Cost Exhibit for employees hired after July 30, 2018 is listed on Page 18 of the Interim Valuation.

**MATERIALS ATTACHED AS SUPPORTING DOCUMENTS:** GASB 74/75 Interim Actuarial Valuation for Fiscal Year Ending June 30, 2021.

**POSSIBLE COURSES OF ACTION:** No action required.



# GASB 74/75 INTERIM ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

## CITY OF SOUTH LYON

### CONTACT

David Murciano, ASA, MAAA, EA  
david.murciano@nyhart.com

### ADDRESS

Nyhart  
8415 Allison Pointe Blvd. Suite 300  
Indianapolis, IN 46250

### PHONE

General (317) 845-3500  
Toll-Free (800) 428-7106  
Fax (317) 845-3654

# **Table of Contents**

---

Certification	Page 1
Executive Summary	3
GASB Disclosures	
Schedule of Changes in Net OPEB Liability and Related Ratios	4
Schedule of Employer Contributions	5
OPEB Expense	6
Deferred Outflows / (Inflows) of Resources	7
Sensitivity Results	9
Asset Information	10
Actuarially Determined Contributions	11
Discussion of Discount Rates	12
Summary of Key Actuarial Assumptions	13
Actuary's Notes	15
PA 202 Uniform Assumption Disclosures	17
New Entrant Normal Cost Exhibit	18



October 7, 2021

Paul Zelenak  
City of South Lyon  
335 S. Warren  
South Lyon, MI 48178

This report summarizes the interim GASB actuarial valuation for the City of South Lyon 2020/21 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). This report may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.



Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

David Murciano, ASA, MAAA, EA  
Actuary

Emily Clauss, ASA, MAAA  
Actuary

# Executive Summary

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the City's Notes to Financial Statement.

	As of June 30, 2020		As of June 30, 2021	
Total OPEB Liability	\$	696,587	\$	563,268
Actuarial Value of Assets	\$	0	\$	(144,995)
Net OPEB Liability	\$	696,587	\$	418,273
Funded Ratio		0.0%		25.7%

	FY 2019/20		FY 2020/21	
OPEB Expense	\$	46,356	\$	76,456
Annual Employer Contributions	\$	24,332	\$	180,650
Actuarially Determined Contribution	\$	59,341	\$	78,997

	As of June 30, 2020		As of June 30, 2021	
Discount Rate		2.66%		7.35%
Expected Return on Assets		2.66%		7.35%

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18
<b>Total OPEB Liability</b>				
Total OPEB Liability - beginning of year	\$ 696,587	\$ 545,542	\$ 464,775	\$ 601,126
Service cost	42,275	28,071	23,545	28,001
Interest	19,156	19,711	18,637	22,363
Change of benefit terms	37,742	0	0	0
Changes in assumptions	(195,900)	42,861	13,697	(9,871)
Differences between expected and actual experience	1,061	84,734	38,510	(167,844)
Benefit payments	(37,653)	(24,332)	(13,622)	(9,000)
Net change in total OPEB liability	\$ (133,319)	\$ 151,045	\$ 80,767	\$ (136,351)
Total OPEB Liability - end of year	\$ 563,268	\$ 696,587	\$ 545,542	\$ 464,775
<b>Plan Fiduciary Net Position</b>				
Plan fiduciary net position - beginning of year	\$ 0	\$ 0	\$ 0	\$ 0
Contributions - employer	180,650	24,332	13,622	9,000
Contributions - active employees	0	0	0	0
Net investment income	2,127	0	0	0
Benefit payments	(37,653)	(24,332)	(13,622)	(9,000)
Trust administrative expenses	(129)	0	0	0
Net change in plan fiduciary net position	\$ 144,995	\$ 0	\$ 0	\$ 0
Plan fiduciary net position - end of year	\$ 144,995	\$ 0	\$ 0	\$ 0
<b>Net OPEB Liability - end of year</b>	<b>\$ 418,273</b>	<b>\$ 696,587</b>	<b>\$ 545,542</b>	<b>\$ 464,775</b>
Plan fiduciary net position as % of total OPEB liability	25.7%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 2,855,707	\$ 2,633,383	\$ 2,705,916	\$ 2,084,986
Net OPEB liability as % of covered payroll	14.6%	26.5%	20.2%	22.3%

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the City's financial statements.

	FY 2020/21
Actuarially Determined Contribution (ADC)	\$ 78,997
Contributions in relation to the ADC	180,650
Contribution deficiency/(excess)	\$ (101,653)
Covered employee payroll	\$ 2,855,707
Contribution as a % of covered payroll	6.3%

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	2.66%	3.51%
End of year	7.35%	2.66%
Service cost	\$ 42,275	\$ 28,071
Interest	19,156	19,711
Change of benefit terms	37,742	0
Projected earnings on OPEB plan investments	(1,888)	0
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	129	0
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (5,474)	\$ (5,580)
Changes in assumptions	(15,436)	4,154
Net difference between projected and actual earnings on OPEB plan investments	(48)	0
Total current period recognition	\$ (20,958)	\$ (1,426)
Total OPEB expense	\$ 76,456	\$ 46,356

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ (167,844)	10	\$ (16,784)	\$ (100,708)
June 30, 2019	\$ 38,510	11	\$ 3,501	\$ 28,007
June 30, 2020	\$ 84,734	11	\$ 7,703	\$ 69,328
June 30, 2021	\$ 1,061	10	\$ 106	\$ 955

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ (9,871)	10	\$ (987)	\$ (5,923)
June 30, 2019	\$ 13,697	11	\$ 1,245	\$ 9,962
June 30, 2020	\$ 42,861	11	\$ 3,896	\$ 35,069
June 30, 2021	\$ (195,900)	10	\$ (19,590)	\$ (176,310)

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ (239)	5	\$ (48)	\$ (191)

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 98,290	\$ (100,708)
Changes in assumptions	45,031	(182,233)
Net difference between projected and actual earnings in OPEB plan investments	0	(191)
<b>Total</b>	<b>\$ 143,321</b>	<b>\$ (283,132)</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2022	\$ (20,958)
2023	\$ (20,958)
2024	\$ (20,958)
2025	\$ (20,957)
2026	\$ (20,910)
Thereafter	\$ (35,070)

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 7.35%.
- The 1% decrease in discount rate would be 6.35%.
- The 1% increase in discount rate would be 8.35%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 455,667
Current Discount Rate	\$ 418,273
1% Increase	\$ 383,270

The following presents the Net OPEB Liability as of June 30, 2021, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 7.50%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 6.50%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 8.50%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 380,123
Current Trend Rates	\$ 418,273
1% Increase	\$ 461,102

\* HRA trend rate is a flat 2.00%. The sensitivity results above account for a 1% increase/decrease to this rate as well.

# GASB Disclosures

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Asset Information

### Asset Reconciliation

FY 2020/21

FY 2019/20

#### Additions

Contributions Received				
Employer	\$	24,332	\$	180,650
Active employees		0		0
<b>Total contributions</b>	<b>\$</b>	<b>24,332</b>	<b>\$</b>	<b>180,650</b>
Investment Income				
Net increase in fair value of investments	\$	0	\$	2,127
Interest and dividends		0		0
Investment expense, other than from securities lending		0		0
Securities lending income		0		0
Securities lending expense		0		0
<b>Net investment income</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>2,127</b>
<b>Total additions</b>	<b>\$</b>	<b>24,332</b>	<b>\$</b>	<b>182,777</b>

#### Deductions

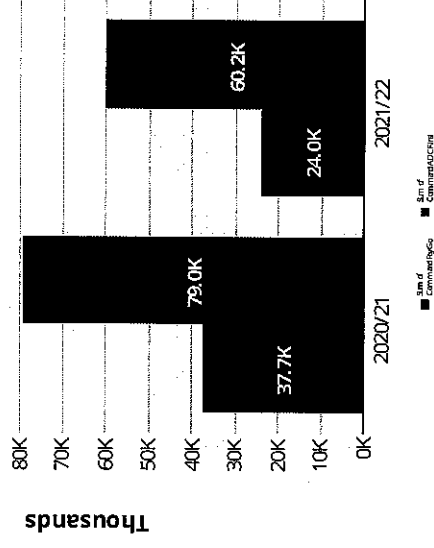
Benefit payments	\$	24,332	\$	37,653
Administrative expenses		0		129
Other		0		0
<b>Total deductions</b>	<b>\$</b>	<b>24,332</b>	<b>\$</b>	<b>37,782</b>
<b>Net increase in net position</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>144,995</b>
<b>Net position restricted to OPEB</b>				
Beginning of year	\$	0	\$	0
<b>End of year</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>144,995</b>

# Actuarially Determined Contributions

City of South Lyon Interim GASB 74/75 Valuation For Fiscal Year Ending June 30, 2021

	FY 2020/21		FY 2021/22	
Discount rate (Funding)	2.66%		7.35%	
Payroll growth factor used for amortization	N/A		N/A	
Actuarial cost method	Entry Age Normal		Entry Age Normal	
Amortization type	Level % of Salary		Level % of Salary	
Amortization period (years)	Level Dollar		Level Dollar	
	28		30	
Actuarial Accrued Liability (AAL) - beginning of year	\$ 696,587	\$	563,268	
Actuarial Value of Assets (AVA) - beginning of year	0	(144,995)		
Unfunded AAL - beginning of year	\$ 696,587	\$	418,273	
Normal Cost	\$ 42,275	\$	23,561	
Amortization of Unfunded AAL	34,675		32,510	
Total normal cost plus amortization	\$ 76,950	\$	56,071	
Interest to end of year	2,047		4,121	
Actuarially Determined Contribution - Preliminary	\$ 78,997	\$	60,192	
Expected Benefit Payments	37,653		24,011	
<b>Actuarially Determined Contribution - Final</b>	<b>\$ 78,997</b>	<b>\$</b>	<b>60,192</b>	

Cash Vs Accrual Accounting



**Actuarially Determined Contribution (ADC)** is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

# Discussion of Discount Rates

## City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 7.35%. As of January 1, 2021, the rate of return of the MERS Total Market Portfolio, where the OPEB Trust is invested, is 7.35%. This was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation and includes expected inflation (2.50%). The best estimates of arithmetic returns for each major asset class of the MERS Total Market Portfolio included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table.

Asset Class	Target Allocation	L/T Expected Real ROR
Global Equity	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Investments	20.0%	7.25%
Total	100.0%	4.85%

2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	July 1, 2020	June 30, 2021
Bond Buyer Go 20-Bond Municipal Bond Index	2.21%	2.16%
S&P Municipal Bond 20-Year High Grade Rate Index	2.66%	2.19%
Fidelity 20-Year Go Municipal Bond Index	2.45%	1.94%
Bond Index Range	2.21% - 2.66%	1.94% - 2.19%

3. With the expectation that the City will contribute the ADC each year, the Trust is expected to be sufficient to pay for all future projected benefit payments, and there will not be a cross-over point. As such, the final equivalent single discount rate used for this year's valuation is 7.35% as of June 30, 2021.

# Summary of Key Actuarial Assumptions

## City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

For a complete summary of actuarial methods and assumptions, refer to the GASB 75 actuarial valuation report for the fiscal year ending June 30, 2020.

### Measurement Date

For fiscal year ending June 30, 2021, a June 30, 2021 measurement date was used.

### Actuarial Valuation Date

July 1, 2020 with results actuarially projected on a "no loss / no gain" basis to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2020.

### Discount Rate

7.35% as of June 30, 2021 and 2.66% as of July 1, 2020 for accounting disclosure purposes.

7.35% as of June 30, 2021 for funding disclosure purposes

Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

### Payroll Growth

From the MERS actuarial valuation as of December 31, 2018. Sample rates are as follows and include assumed inflation of 3.75%:

Age	Total Salary Growth Rate
20	14.75%
25	10.95%
30	6.85%
35	5.65%
40	4.95%
45	4.56%
50	4.27%
55	4.05%
60	3.75%

### Inflation Rate

3.75% per year

### Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

# Summary of Key Actuarial Assumptions

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2022	7.5%	2026	5.5%
2023	7.0%	2027	5.0%
2024	6.5%	2028+	4.5%
2025	6.0%		

HRA benefit premium is assumed to increase 2.0% per year. General and Police stipends are assumed to remain flat (0% increase).

## Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

# Actuary's Notes

## City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The interim valuation reflects the following plan change to the explicit subsidy provided to retirees:

### Explicit Subsidy

Eligible Police retirees from the POAM union receive a stipend of up to \$700 per month for healthcare premiums. Eligible Police retirees from the POLC union receive a stipend of up to \$900 per month for healthcare premiums. Eligible General Retirees receive a stipend of up to \$500 per month for healthcare premiums. To the extent the stipend exceeds the monthly healthcare premiums, the remainder may be used to offset spousal healthcare premiums. These amounts are assumed to remain flat in the future and do not increase with healthcare cost trend rates.

This change resulted in an increase to the City's liabilities.

Interim year valuation results have been projected from the prior year's valuation, with adjustments for actual premium and contribution increases from 2020/21 to 2021/22. The impact of these changes was a slight increase in the City's liabilities.

Additionally, we have updated the discount rate assumption based on the yield for 20-year tax-exempt general obligation municipal bonds and long term expected rate of return as of June 30, 2021 (measurement date). The resulting discount rate is 7.35% as of June 30, 2021 and 2.66% as of July 1, 2020. Refer to the Discussion of Discount Rates section for more information on selection of discount rate. Making this change resulted in a significant decrease in the City's liabilities.

### Premium Rates

Same benefits are available to retirees as active employees. The HRA PPO Gold health plan is fully-insured and partially experience-rated. The monthly funding rates vary by age and are effective on July 1, 2021. The monthly premium rates effective July 1, 2021 and July 1, 2020 are as shown below:

Age	Eff. 7/1/2021	Eff. 7/1/2020
	Rate	Rate
55	\$ 639.43	\$ 616.33
60	\$ 778.21	\$ 750.10
64	\$ 860.22	\$ 829.14

### Retiree Cost Sharing

Retirees pay for the portion of the premium rates not covered by the City's explicit subsidy.

# Actuary's Notes

## City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

---

### HRA

The City funds \$4,000 annually in a health reimbursement account. The cost of this benefit is not included in the healthcare premium funding rates shown above. The flat monthly premium for the HRA benefit as of July 1, 2020 is \$135.21 for single coverage and \$269.88 for two-person coverage, and as of July 1, 2021 is \$122.14 for single coverage and \$270.34 for two-person coverage. These premiums are assumed to increase with a flat annual healthcare trend rate of 2.0%.

# Appendix

## City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

### PA 202 Uniform Assumption Disclosures

The information presented below is for the purposes of filing Form No. 5572 under PA 202 uniform assumption requirements. Per regulation, Form No. 5572 must be filed no later than six months after the end of the fiscal year. Governmental fund revenues are not shown below and should be determined by the City. Refer to the Michigan Department of Treasury website for additional information.

Form 5572 Line	Description	City of South Lyon
Line 28	Actuarial Value of Assets	\$ 144,995
Line 29	Actuarial Accrued Liability	\$ 575,713
Line 31	Actuarially Determined Contribution for FY 2020/21	\$ 76,293

Line 31 (Actuarially Determined Contribution) was calculated using level dollar amortization with a 7.00% discount rate. The amortization period is a closed, 30-year period with 28 years remaining for FY 2020/21.

Under PA 202 requirements<sup>1</sup>, uniform assumption setting is mandated in reporting of liabilities, assets, and ADC. The following is a description of the PA 202 uniform assumption guidance and final assumptions used for the City for purposes of calculating the figures above.

Assumption	Uniform Assumption Guidance	City Assumption
Investment Rate of Return	Maximum of 7.00%	7.00% (for funding/ADC purposes)
Discount Rate	Blended discount rate calculated per GASB 74/75: <ul style="list-style-type: none"> <li>Maximum of 7.0% where plan assets are sufficient to make projected benefit payments</li> <li>2.2% for periods where assets are insufficient to make projected benefit payments</li> </ul>	7.00% (for calculation of the OPEB liability)
Salary Increase	Minimum of 3.00% or based on actuarial experience study within the past 5 years	Same as the GASB 74/75 valuation
Mortality Table	A version of Pub-2010 with Scale MP-2019 generational mortality improvement or based on an actuarial experience study conducted within the past 5 years	Same as the GASB 74/75 valuation
Amortization Period	Maximum closed period of 28 years for Retiree Health Care Systems	For FY 2020/21, 28 years on a closed period basis
Asset Valuation	Market Value as reported on Financial Statements	Same as the GASB 74/75 valuation
Healthcare Inflation	Non-Medicare: Initial rate of 7.50% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 5.75% decreasing 0.25% per year to a 4.50% long-term rate	Same as PA 202 uniform assumption

<sup>1</sup> The PA 202 requirements for 2021 were pulled from the following website: [https://www.michigan.gov/documents/treasury/Uniform\\_Assumption\\_Memo\\_FY2021\\_701625\\_7.pdf](https://www.michigan.gov/documents/treasury/Uniform_Assumption_Memo_FY2021_701625_7.pdf).

# Appendix

City of South Lyon Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

## New Entrant Normal Cost Exhibit

Normal Cost was calculated for those employees hired after June 30, 2018, as shown below:

	FYE 6/30/2021
--	---------------

Normal Cost	\$ 6,031
-------------	----------