

**Financial Health Team  
City of Lansing, Michigan**

February 17, 2020

Mayor Andy Schor and City Council President Peter Spadafore  
Members of City Council  
City of Lansing  
David C. Hollister City Hall  
124 W. Michigan Avenue  
Lansing, Michigan 48933

Dear Mayor Schor, Council President Spadafore, and Members of City Council:

With the completion of Lansing's Comprehensive Annual Financial Report for FY 2019, the Executive Committee of the Lansing Financial Health Team (FHT) would like to comment on how we view the City's current financial position.

The concerns about the City's finances that led to the creation of the FHT in 2012 continue today. As you know, the City of Lansing continues to grapple with a variety of challenges that will require both one-time, and structural changes – "business as usual" is simply not an option.

In order to improve Lansing finances, in 2014 the FHT worked with City leaders to put in place a policy designed to require mandatory budget allocations whenever reserves drop below 12% of General Fund expenditures. That policy has worked to rebuild the City's General Fund reserves over time. However, the City is currently below that 12% threshold. This is very concerning and requires immediate corrective action. Additionally, of course, long term pension and retiree health care benefit obligations continue to grow, now exceeding \$736 million. Fundamental reforms must be made to avoid an ever greater share of general fund revenues being required to pay for these obligations.

While the City's finances remain under considerable stress, the actions of Mayor Schor and Council over the last year give us cause for optimism that there is a growing understanding of the enormity of the issues faced, and the need for fundamental structural changes. We applaud and commend Mayor Schor for his strong leadership, which will surely reap long term financial benefits for Lansing in the coming decades. We also recognize Council President Spadafore for his stated focus on these issues, in addition to other members of Lansing's City Council.

Indeed, it is clear to us that more constructive actions have been taken in the past year than at any time since the inception of the FHT. Most critically, the city implemented the FHT's recommendation to appoint a Chief Strategy Officer (CSO) to be the point person for dealing with financial issues. We believe that Shelbi Frayer is an outstanding addition to your staff, and

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that she has already proven herself to be invaluable in her role that has evolved to Chief Strategy & Financial Officer.

Problems must be identified before they can be fixed, and Ms. Frayer has already focused on a series of short term reforms designed to realize immediate savings. There is much work to be done and Ms. Frayer will need the continuing support of the Mayor and Council to tackle the many issues that require resolution. The audit includes evidence of her efforts, and your FY 2020 budget revision, as well as your proposed budget for FY 2021, will continue to address these issues.

Other actions you have taken are important as well. As the FHT has noted in the past, the City needs to secure the services of qualified professionals to help address Lansing's long neglected legacy costs. The independent expertise you have retained in the areas of health care, labor contracts, and long term debt will greatly enhance the City's capacity to deal with this issue.

Of course, much remains to be done. Reducing unfunded liabilities will be neither quick nor easy, and will require changes to health care and labor contracts. This is a long term effort which must begin now. And in the short term, it is essential that the City take immediate steps to ensure that the Finance Department is adequately staffed and to rebuild general fund reserves.

The FHT applauds your collective efforts to identify the extent of the City's financial problems, and recent meaningful steps to correct these issues. More is, and will be required, however, and the challenges presented in 2020 will require each of you to make tough decisions in order to ensure the long-term financial survival of Lansing. We look forward to continuing to work with you to ensure Lansing's financial health.

Respectfully submitted,

The Executive Committee of the Financial Health Team  
City of Lansing

cc: Chris Swope, Lansing City Clerk