ROOTED IN COMMUNITY.
FUELED BY ADVENTURE.

Randy Scholz
City Manager
City of Ishpeming

RE: 2027 Budget

City of Ishpeming Residents, Council Members, and Staff,

As we begin the 2027 budget process, I ask that we keep the following questions at the center of our decisions:

- How can we make the biggest positive impact on the lives of our residents?
- Is what we are about to do financially sustainable over the long term?
- Is the decision we are making consistent with the City's strategic plan and master plan?

This is a team effort. The City did not reach its current fiscal condition overnight, and it will take several years of disciplined decisions, collaboration, and consistent follow-through to fully address the challenges ahead. By working together—Council, staff, and the community—we can continue moving the City in the right direction.

Overall, the outlook for the 2027 budget is positive, pending the passage of the library millage. Many financial challenges have been addressed, at least for the near term. At the same time, costs continue to rise across nearly every area of operations, and the outlook for grant funding remains uncertain. We cannot assume that outside funding will be available to support ongoing services or future projects.

My recommendation is that we approach the 2027 budget with the next ten years in mind. Decisions made today, especially related to staffing, capital projects, infrastructure, and service levels, will shape the City's financial position through 2036. Keeping costs under control, prioritizing core services, and carefully evaluating new commitments will help us maintain the positive momentum the City is currently experiencing.

The 2027 budget is prepared with the assumption that the library millage will pass. If the millage does not pass, the City will need to hold a special budget meeting to identify reductions or other changes necessary to bring the 2027 budget back into balance.

At the same time, we are already seeing meaningful progress. Our blight-reduction efforts are helping improve neighborhoods, remove unsafe and neglected properties, and protect property values. We are also advancing several development opportunities, including housing projects, redevelopment of key sites, and partnerships that will bring new investment and residents to Ishpeming. These efforts strengthen our community now while helping grow the tax base and support the City's long-term financial stability.

Within the General Fund, it will be especially important for Council and staff to begin identifying additional revenue sources for future years. Relying on existing revenues alone will become increasingly difficult as costs continue to increase. We should also continue pursuing grants and partnerships where they support one-time needs or clearly advance Council priorities, while avoiding dependence on uncertain funding for ongoing operations.

The 2027 budget should reflect both the progress we have made and the responsibility we have to plan. By working together, making thoughtful choices, and keeping residents' needs at the center of our decisions, we can continue strengthening the City's financial stability while delivering the services our community expects.

There is no shortage of heart, pride, and hope in this community. Based on what I have seen in my short time here, I have every confidence that, by working together, Ishpeming will not only meet its challenges, but it will also exceed expectations!

The General Fund

The general fund is the main hub for governmental activities of the city such as police, fire, administrative services and library operations. The bulk of inflows the general fund captures come from two sources, property taxes and state revenue sharing.

In 2026 and continuing into 2027, the city has taken significant steps in curbing the cost of health insurance; a significant step toward the city's goal of general fund sustainability. Implementing employee premiums shares and joining a cooperative insurance pool were pivotal decisions to this end. 2026 projections show the general fund to close with a negative margin. Departmentally, the police remain the largest cost center within the general fund, representing approximately 30% of 2027 appropriations.

Major and Local Streets

Both major and local streets are dependent on state revenue and grants for funding. The city maintains just over 13 miles of major streets and 32 miles of local streets.

DDA

The DDA is beginning to see some real flexibility in its funding for the first time in quite a while. They are seeing increased façade and start up assistance grant applications.

Public Improvement Fund

The public improvement fund was sitting on large cash reserves after several years of slow funding execution. In 2026, the City started using the funds on needed updates.

Sewer Fund

The sewer fund is projected to finish out the year in good fiscal condition. The CWSRF project is expected to be completed in 2026.

Water Fund

Like the sewer fund, the water fund is projected to finish out the year in good fiscal condition The DWSRF project is expected to be completed in 2026.

Garbage and Recycle Fund

The garbage and recycle fund are performing well in 2026 and the 2027 budget is mainly a straight inflationary increase of cost from 2026 with new end user and landfill rates accounted for. The fund balance is expected to be reduced because of a new recycle and trash cart program in late 2026 and early 2027. There is an EGLE grant that covers 80% of the cost for recycling carts.

Police and Fire Retirement

The fund is projected to finish out the year in good fiscal condition