

**WORK SESSION AGENDA  
WYOMING CITY COUNCIL MEETING  
CITY COUNCIL CHAMBERS**

**Monday, September 9, 2024, 5:30 P.M**

- 1) Call to Order**
- 2) Public Comment on Agenda Items (3 minute limit per person)**
- 3) IT Department Improvement Plan**
- 4) Third Transmission Main Update**
- 5) Any Other Matters**
- 6) Acknowledgement of Visitors/Public Comment (3 minute limit per person)**

*The City of Wyoming, including the City Council, is committed to ensuring all persons have access to all its programs, services, and activities, including any public meetings. The City Council will coordinate with city staff to ensure the City Council fulfills that commitment for its programs, services, and activities, including public meetings. Accommodations to enable virtual meeting attendance and participation can usually be made if a request is received at least 5 hours before the meeting time. Other accommodations may require more time.*

*Special Accommodations – Persons with impairments or disabilities needing accommodations to participate in the meeting or persons who need language interpretation services may contact the city clerk at either [Clerk\\_info@wyomingmi.gov](mailto:Clerk_info@wyomingmi.gov) or 616.530.7296 at least 36 hours before the meeting to make arrangements for appropriate accommodation.*

*Acomodaciones Especiales – Personas que deseen asistir a esta reunión y necesitan acomodación para participar, como servicios de interpretación, deben comunicarse con la Oficina del Administrador de la Ciudad al 616.530.7296 o [Clerk\\_info@wyomingmi.gov](mailto:Clerk_info@wyomingmi.gov) al menos 36 horas antes de la reunión para hacer arreglos para el alojamiento apropiado.*

**TO:** Wyoming City Council  
**Date:** September 4, 2024  
**Subject:** IT Department Improvement Plan  
**From:** Paul Gerndt, Director of Information Technology  
**CC:** John Shay, City Manager  
Patrick Waterman, Deputy City Manager

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The content of this memo was shared previously and discussed on August 29 with an ad hoc committee composed of Council members Postema, Arnoys and DeKryger.

### **Background**

As you may be aware, the Information Technology (IT) department is considered an internal service department, meaning its primary function is to directly support other City departments in their use of technology, which in turn directly benefits the residents we serve. In the last 16 years, staffing levels in the IT department have varied between 14.5 at its highest level in 2008 and the current low point of 8 staff. In 2008, there were 11 technical staff in the department, a part-time Office Specialist, and three IT staff embedded in the water and sewer utilities. As the economy worsened over the next ten years, IT staffing declined, as the utilities IT staff and IT administrators retired and were not replaced. However, as the economic conditions improved and the City's population grew, IT staffing levels remained stagnant while the demand for public services (and the complexity of how services are provided) increased. In response, City departments made significant investments in technology to improve efficiencies and meet these growing demands. It is the responsibility of the IT Department to research, install, train, maintain and support these ever-evolving technologies.

A result of these developments is that the current Information Technology department is often overwhelmed with work and unable to adequately meet the needs of the City departments it supports. The FY2024 Information Technology budget request included the addition of two staff to improve our ability to support the increasing number of users and the technology they use. The City Manager's office directed that a study of the IT department be conducted to determine, among other things, the level and structure of staffing appropriate for a city of Wyoming's size and complexity.

Dewpoint conducted an organizational assessment of the Information Technology Department in 2024. The report of findings and recommendations presented to City Council on June 17, 2024, was used to develop this plan which is expected to have the following outcomes:

- Improve the efficiency and effectiveness of the Information Technology Department.
- Strengthen the relationship between Information Technology and other departments.
- Improve the ability of Information Technology to attract and retain qualified staff.
- Enable capacity and promote an environment to foster innovation within Information Technology.
- Improve Information Technology's ability to maintain services to internal departments through turnover of key staff.
- Improve Information Technology's customer satisfaction (CSAT) ratings received from internal departments.

### **Alignment with Strategic Plan**

The Information Technology Assessment project was highlighted as a top priority in the 2024 Wyoming City Council Strategic Plan. These recommendations are based on findings of the assessment and serve to advance key objectives of the strategic plan, including:

- PILLAR 1 – STEWARDSHIP
  - GOAL 2 – Enhance the efficiency and effectiveness of City operations and services.
  - GOAL 4 – Attract, train, and retain talented workforce.

This memo outlines the 2024 IT Department Improvement Plan and the budget authority required to fund the recommendations. In summary, I recommend:

- Add 2.5 full-time equivalent (FTE) staff,
- Add approximately 2 FTEs of contracted staff,
- Seek consulting services to implement project and change management practices,
- Seek consulting services to implement the IT Infrastructure Library (ITIL) framework,
- Seek consulting services to validate the City's Microsoft 365 tenant configuration,
- Replace the IT ticketing and computer deployment solutions, and
- Increase staff training to reduce the reliance on third party services.

The timeline at the end of this memo provides a high-level overview of the timing of activities in this plan. Some of Dewpoint's recommendations were anticipated by Information Technology prior to commencement of the study or learned prior to the release of the final report. As such, some recommended actions have already started. The following text describes in more detail our plan to implement most recommendations found in the report.

### **Staffing Initiatives**

To meet current workloads and improve service to departments, Dewpoint recommends the addition of 4.5 to 5 FTEs in various roles, made up of direct hires and third-party contracts.

I am requesting the addition of 2 staff, conversion of a part-time office specialist to full time, and contracted services equivalent to 2 FTEs.

One staff member will be added to stabilize application support and improve our ability to help departments leverage existing technology investments, such as Microsoft 365 applications (like MS-Teams and SharePoint), and OnBase document management and workflows. The application area is currently supported by a single individual which causes reduced service levels when he takes leave. His separation of employment is of particular concern. The staff addition will provide resilience, improve service levels, and address succession concerns for the support of the city's critical enterprise applications.

The second staff member will be focused on digital workplace services. This function serves to improve service delivery through ITSM implementation and will restore the department's capacity to guide city departments in the selection, implementation and support of appropriate technologies to meet operational needs and strategic objectives. This critical function will help to ensure interoperability of disparate departmental systems and processes.

The final half-FTE is recommended to upgrade our vacant Part-time Office Specialist I position to a Full-time Office Specialist II. Our Part-time Office Specialist left employment at the city at the end of June. Based upon my assessment of our needs, the non-technical clerical tasks currently performed by myself, the IT Supervisor, and technical staff, a full-time Office Specialist would benefit the department significantly. Prominent duties of the position include:

- Obtain competitive quotes from vendors
- Manage hardware and software maintenance and license agreement renewals
- Enter purchase orders
- Enter and scan invoices for payment (70 per month)
- Track monthly receipt and processing of 30 AT&T invoices per month
- Asset management, including assignment of asset numbers, tracking and reporting to Accounting, location tracking, and processing for disposal at auction.
- Administer user records in the KnowBe4 security awareness platform
- Administer the Smarsh SMS Archiving platform
- Cell phone administration (place orders, number assignments and transfers)
- General office duties (maintain supplies, toner cartridge recycling, etc.)
- Assist answering the help desk phone
- Budget tracking
- Research projects as directed by department administrators
- Prepare correspondence such as memorandums and staff reports
- Coordinate meetings
- Prepare and enter payroll

The Finance Department provided a cost of \$70,015 to upgrade the Part-time OS I to a Full-time OS II for the remainder of the fiscal year. We will have an unused amount of \$22,000 in our temporary salaries account so the net budget impact will be approximately \$50,000 this year.

Prior to starting the recruitment process, existing roles will be formally defined to align more closely to specific IT disciplines (applications, networking, cybersecurity, desktop support, etc.). Existing staff will be evaluated to determine if a suitable candidate desires to move into that role. Staff will then be added to the Information Technology roster to fill the vacancies that remain.

**Contracted Temporary Staffing**

An RFP is planned for the second quarter of the fiscal year to establish a contract for third-party services. Contractors would be used to meet peaks in demand that would otherwise outpace the department’s capacity, to assist with large projects, or to obtain skillsets not currently possessed by IT staff. Using Dewpoint’s estimate of third-party FTE requirements, market rates available through the State of Michigan Master Computing Agreement (Mi-DEAL) catalog and other publicly available sources, it is estimated that maximum utilization of third-party staffing could cost up to \$500,000 annually. Publicly available rates for common job titles and estimated needs are shown in the table below.

Third Party Contractual Services Estimate (annual)

<u>Job Function / Title</u>	<u>FTEs</u>	<u>Equivalent Hours</u>	<u>Avg Rate/Hr.</u>	<u>Estimated Cost</u>
<b>Service Desk Specialist</b> Used during peak activity, help users resolve their issues with computer hardware and software	0.3	592.8	\$ 75	\$ 44,460
<b>Cybersecurity Analyst</b> On projects such as network expansion or upgrades, design and implement systems and processes intended to keep electronic information private and secure	0.1	197.6	\$ 150	29,640
<b>Network Engineer</b> On projects such as micro-segmenting a network, develop and support the networks used by businesses and organizations	0.3	592.8	\$ 160	94,848
<b>M365 Administrator</b> Used while internal skillsets are developed, overseeing the user experience, ensures seamless access to tools and applications, and addresses any issues that arise within the platform	0.4	790.4	\$ 125	98,800
<b>IT Governance Roles</b> Until internal capabilities are established, fulfill strategic roles such as Chief Information Security Officer (CISO), Chief Technology Officer (CTO), and Enterprise Architect	0.4	790.4	\$ 150	118,560
<b>Application Developer</b> On projects or to fill skill gaps, designs, creates, deploys and updates programs	0.5	988.0	\$ 110	108,680

<b>Estimated Total</b>	<b>2.0</b>	<b>3,952.0</b>	<b>\$ 494,988</b>
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Approximately \$150,000 is included in the current Information technology budget for professional services, and utilization of additional contracted services is expected to begin nearly mid-way through the fiscal year; therefore, a request of \$100,000 is a reasonable estimate of the additional needs for first year of the plan. Approximately \$500,000 is the expected need in year two, with diminishing needs in future years due to skills development and process improvement. A chart later in this report provides a forecast of the anticipated budget impact resulting from these recommendations.

### **Consulting Services**

A partnership is recommended to provide training and coaching to IT administration and staff related to IT governance, organizational change management (OCM), project management, IT service management (ITSM) and information technology infrastructure library (ITIL) practices.

A proposal and contract from Dewpoint for these services is attached. Dewpoint has spent three months during the assessment process engaged with the Information Technology department and has a baseline understanding of our maturity in these areas. Use of a different vendor would require significant time, effort, and related expense to reach the same level of familiarity.

A minor component of the Dewpoint proposal is an assessment of the configuration of our Microsoft 365 tenant. We requested this service to ensure that we have configured the myriad security and functionality settings according to best practices to ensure the safety and security of the data stored within the Microsoft cloud. After completion of the assessment and any recommended corrective actions, we will be able to promote wider use of tools to increase efficiency and effectiveness of operations throughout the enterprise.

The cost associated with the proposed engagement with Dewpoint is \$218,400.

### **IT Ticketing and Computer Deployment Solutions**

Dewpoint recommends upgrades to primary tools used by Information Technology to manage the delivery of services. Information Technology has evaluated leading IT service management (ITSM) solutions to identify the one best suited to meet the needs of the department. City Council approved acquisition of the TeamDynamix solution at their meeting on August 5, 2024. We are already working with the vendor to schedule the implementation of this critical tool. Thank you for your support.

Information Technology acquired in 2022 a low-cost system for configuration and deployment of desktop computers. Due to staff time constraints, the system has not been fully implemented and its ability to meet the department's needs is not completely known. The department will complete implementation of the current system and determine if a more effective solution is needed. Funding for a different solution was approved in the department's FY2025 budget; therefore, additional funding is not requested at this time.

## **Staff Training**

Staff training to build proficiency in M365, ITIL, IT Service Management and other technical skills is recommended by Dewpoint and acknowledged by staff. Third party services as outlined above will be used to fill the gap while internal skills are developed through recruitment and training activities. Training opportunities are available through several avenues ranging from self-paced free resources to instructor led classroom settings. Certifications, such as Microsoft Teams Associate, are already established as requirements for new staff. Education plans are currently being created for existing staff. It is estimated that approximately \$50,000 will be required to provide the necessary training to improve staff proficiency.

## **Service Delivery**

Improvements to IT service delivery are already underway. Prerequisite to implementing the new IT Service Management solution, we are documenting the IT service portfolio (services that departments have historically relied on IT to provide), and the IT Service Catalog (list of services IT is committed to provide currently) and the service level objectives we are committed to delivering. The service catalog also documents the roles and responsibilities involved in delivering each service. This information will be used to formalize staff roles and more closely align staff to delivery of specific services.

We plan to implement short ticket closure surveys (a TeamDynamix feature) that will allow departments an opportunity to rate the service they receive for each service instance. Anomalous ratings will be addressed in real-time by an IT administrator.

We will also develop a biannual customer satisfaction survey to measure changes in customer satisfaction. Ratings from the biannual survey will reflect the overall effectiveness of changes implemented in response to the IT organizational assessment. There is no direct cost attributable to this change.

In Q3 of fiscal 2025, we will implement business relationship liaison (BRL) roles for each department. A senior staff member or administrator from information technology will be assigned as a resource for one or more departments. This effort will be coordinated with the start of the annual budget preparation process and is intended to increase IT awareness of departmental needs and initiatives. There is no direct cost related to this change.

In early 2025, with assistance from Dewpoint, and after the implementation of organizational change management practices within Information Technology, we will implement the same OCM strategy with departments.

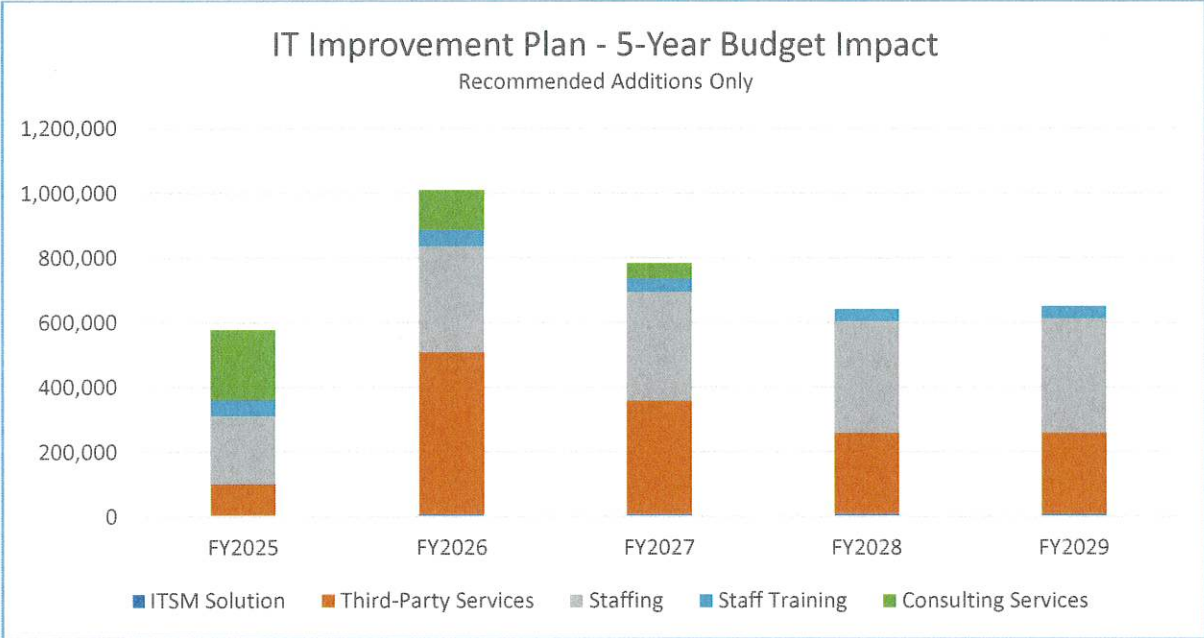
## **Budget Impact**

It is my recommendation to increase the Information Technology Budget authorization by \$587,145 for the current fiscal year.

The table and companion chart on the next page shows a five-year estimate of budget impact from these recommendations. The second year of the plan has the highest anticipated cost as we expect significant use of contracted services throughout the full year. As staff proficiency and efficiency are realized, we expect a reduction in reliance on contracted services. That said,

some reliance on contracted services is expected to remain indefinitely to address workload surges that outpace the department’s capacity.

I expect the need for significant consulting services to end in the third year of this plan.



ITEM	Year 1	Year 2	Year 3	Year 4	Year 5
ITSM Solution	\$ 15,000	\$ 7,725	\$ 7,957	\$ 8,196	\$ 8,442
Third-Party Services	\$ 250,000	\$ 500,000	\$ 350,000	\$ 250,000	\$ 250,000
Staffing	\$ 232,305	\$ 286,698	\$ 293,866	\$ 301,212	\$ 308,743
Technology for Staff	\$ 8,440	\$ -	\$ -	\$ -	\$ -
Staff Training	\$ 50,000	\$ 50,000	\$ 40,000	\$ 40,000	\$ 40,000
Consulting Services	\$ 218,400	\$ 125,000	\$ 50,000	\$ -	\$ -
<b>SUBTOTAL</b>	<b>\$ 774,145</b>	<b>\$ 969,423</b>	<b>\$ 741,823</b>	<b>\$ 599,408</b>	<b>\$ 607,185</b>
- Current Budget	\$ 187,000	\$ -			
<b>Budget Impact</b>	<b>\$ 587,145</b>	<b>\$ 969,423</b>	<b>\$ 741,823</b>	<b>\$ 599,408</b>	<b>\$ 607,185</b>

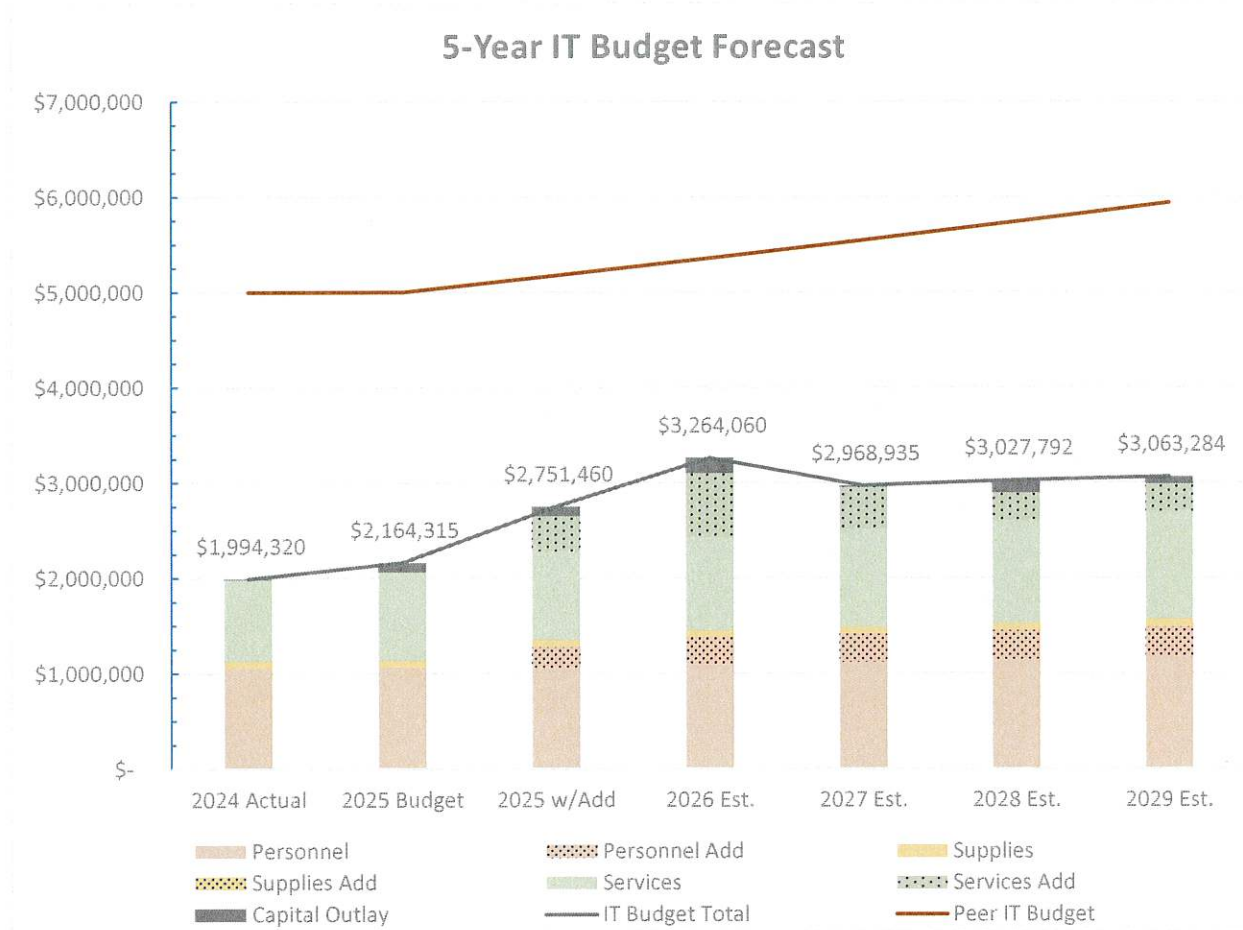
Paraphrasing a statement from Dewpoint’s report, the City of Wyoming’s IT department budget, when compared to the national average for state and local government entities with an operating budget under \$250 million, falls short by \$3 million. Wyoming has a higher-than-average ratio of operating expenses to IT budget than similar sized cities.

Based on the current allocation formula, 40.46% of the amounts indicated above would affect the General fund with the remaining 59.54% being allocated to other funds.

FY2025                      FY2026                      FY2027                      FY2028                      FY2029

General Fund	\$ 237,539	\$ 389,071	\$ 296,897	\$ 239,185	\$ 242,231
Other Funds	349,606	580,352	444,926	360,223	364,954

The chart below provides a forecast of the complete Information Technology budget including current known factors and the recommended additions over the next five years. Starting with actual final expenses from FY2024, the chart reflects assumptions regarding contractual wage increases and inflationary impacts for fiscal years 2026 and later.



In summary, this request is being made in response to Dewpoint's organizational assessment recommendations. The objectives of the recommendations above are to:

- Improve the level of customer service received by city departments
- Improve the efficiency and effectiveness of the IT Department
- Reduce the operational impacts of staff turnover
- Improve staff recruitment and retention

These recommendations are made in the best interest of the City of Wyoming. Though the IT budget will remain significantly below standards and averages of our peers, we expect significant improvement to service delivery and customer satisfaction.

As a final note, the Dewpoint report made recommendations that apply to the City of Wyoming as an enterprise - beyond the IT Department. For the IT plan to succeed, it is necessary to develop structures and processes to determine the priorities of pressures placed on central service departments like IT. Without these enterprise-level controls in place, demands will continue to overrun IT. More work remains in this area, and I look forward to participating in that process.

**Attachments:**

- FY 2025 IT Action Plan Summary
- Dewpoint Contract
- 5X5 Budget Scenarios

## Action Plan Summary

<b><u>Start Date</u></b>	<b><u>Action</u></b>	<b><u>Status</u></b>
Aug 2024	Evaluate and Procure IT Service Management Solution.	Complete
	Define Service Portfolio and Service Catalog	In progress
	Formalize Staff Roles	In progress
Sep 2024	Implement IT Service Management Solution.	In Progress
	Begin hiring process for 3 staff	Planned
	Issue RFP for Third Party Services Contract	Planned
	Dewpoint Coaching Engagement	Planned
	ITSM & ITIL Training for IT Staff	In progress
Sep 2024	Gradually Begin Using Third Party Services	Planned
	Evaluate need for PC Build Tools & Begin Selection and Procurement as Needed	In progress
Oct 2024	OCM Training & Implementation for IT Staff	Planned
Nov 2024	Expand M365 Training Program for IT Staff	In progress
Dec 2024	Launch Biannual CSAT Survey	Planned
Jan 2025	Establish BRL Program for Departments	Planned
	Begin Implementing Strategic Roles / Functions	Planned
Mar 2025	Implement OCM for Departments	Planned
	Begin Implementing Strategic Roles / Functions	Planned

# ADJUSTED FOR IT REORG EFF 10/1/24

## General Fund

### BUDGET PROJECTION WITH MILLAGE RENEWAL IN 2029

	<u>FYE Estimate 2024</u>	<u>Budget 2025</u>	<u>Projected 2026</u>	<u>Projected 2027</u>	<u>Projected 2028</u>	<u>Projected 2029</u>
Beginning Reserves	18,606,587	21,558,419	17,714,827	16,635,387	14,995,931	12,880,648
Revenues	46,218,787	32,561,514	33,621,777	34,345,969	35,066,308	35,803,622
Expenditures	43,266,955	36,167,567	34,312,147	35,688,528	36,942,406	38,038,144
Add IT Restructure		237,539	389,071	296,897	239,185	242,231
Total Expenditures		36,405,106	34,701,217	35,985,425	37,181,591	38,280,375
Surplus or (Deficit)	2,951,832	(3,843,592)	(1,079,440)	(1,639,456)	(2,115,283)	(2,476,753)
Ending Reserves	<b>21,558,419</b>	<b>17,714,827</b>	<b>16,635,387</b>	<b>14,995,931</b>	<b>12,880,648</b>	<b>10,403,894</b>
Fund Balance as a % of Exp	49.8%	48.7%	47.9%	41.7%	34.6%	27.2%

## General Fund

### BUDGET PROJECTION WITHOUT MILLAGE RENEWAL IN 2029

	<u>FYE Estimate 2024</u>	<u>Budget 2025</u>	<u>Projected 2026</u>	<u>Projected 2027</u>	<u>Projected 2028</u>	<u>Projected 2029</u>
Beginning Reserves	18,606,587	21,558,419	17,714,827	16,635,387	14,995,931	12,880,648
Revenues	46,218,787	32,561,514	33,621,777	34,345,969	35,066,308	35,803,622
Expenses	43,266,955	36,167,567	34,312,147	35,688,528	36,942,406	43,068,258
Add IT Restructure		237,539	389,071	296,897	239,185	242,231
Total Expenditures		36,405,106	34,701,217	35,985,425	37,181,591	43,310,489
Surplus or (Deficit)	2,951,832	(3,843,592)	(1,079,440)	(1,639,456)	(2,115,283)	(7,506,867)
Ending Reserves	<b>21,558,419</b>	<b>17,714,827</b>	<b>16,635,387</b>	<b>14,995,931</b>	<b>12,880,648</b>	<b>5,373,780</b>
Fund Balance as a % of Exp	49.8%	48.7%	47.9%	41.7%	34.6%	12.4%

# ORIGINAL 5X5

## General Fund

### BUDGET PROJECTION WITH MILLAGE RENEWAL IN 2029

	<b>FYE Estimate 2024</b>	<b>Budget 2025</b>	<b>Projected 2026</b>	<b>Projected 2027</b>	<b>Projected 2028</b>	<b>Projected 2029</b>
Beginning Reserves	18,606,587	21,558,419	17,952,366	17,261,997	15,919,438	14,043,340
Revenues	46,218,787	32,561,514	33,621,777	34,345,969	35,066,308	35,803,622
Expenses	43,266,955	36,167,567	34,312,147	35,688,528	36,942,406	38,038,144
Surplus or (Deficit)	2,951,832	(3,606,053)	(690,370)	(1,342,559)	(1,876,098)	(2,234,522)
Ending Reserves	<b>21,558,419</b>	<b>17,952,366</b>	<b>17,261,997</b>	<b>15,919,438</b>	<b>14,043,340</b>	<b>11,808,817</b>
Fund Balance as a % of Exp	49.8%	49.6%	50.3%	44.6%	38.0%	31.0%

## General Fund

### BUDGET PROJECTION WITHOUT MILLAGE RENEWAL IN 2029

	<b>FYE Estimate 2024</b>	<b>Budget 2025</b>	<b>Projected 2026</b>	<b>Projected 2027</b>	<b>Projected 2028</b>	<b>Projected 2029</b>
Beginning Reserves	18,606,587	21,558,419	17,952,366	17,261,997	15,919,438	14,043,340
Revenues	46,218,787	32,561,514	33,621,777	34,345,969	35,066,308	35,803,622
Expenses	43,266,955	36,167,567	34,312,147	35,688,528	36,942,406	43,068,258
Surplus or (Deficit)	2,951,832	(3,606,053)	(690,370)	(1,342,559)	(1,876,098)	(7,264,636)
Ending Reserves	<b>21,558,419</b>	<b>17,952,366</b>	<b>17,261,997</b>	<b>15,919,438</b>	<b>14,043,340</b>	<b>6,778,703</b>
Fund Balance as a % of Exp	49.8%	49.6%	50.3%	44.6%	38.0%	15.7%

## General Fund Performance History

<u>Fiscal Year</u>	<u>Budgeted</u> <u>Deficit</u>	<u>Actual</u>	
2020	(1,350,428)	1,007,284	
2021	(2,277,469)	4,089,585	
2022	(116,188)	(2,383,326)	<i>(\$4M from prior year used to establish Capital Projects Revolving Fund)</i>
2023	(811,535)	3,580,478	
2024	730,607	6,402,093	<i>(preliminary)</i>

## MEMORANDUM

To: Hon. Mayor and City Councilmembers  
From: Scott Smith, City Attorney  
Copies: John Shay, City Manager  
Patrick Waterman, Deputy City Manager  
Myron Erickson, Director, Public Works  
Aaron Vis, Deputy Director, Public Works  
Jodi Yenchar, Finance Director  
Date: September 5, 2024  
Subject: 3<sup>rd</sup> Transmission Main Financing

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City Manager John Shay has intermittently updated the City Council regarding the third transmission main project. Due to many factors, that project has not proceeded in the linear fashion normally experienced. Material lead times, material pricing volatility, seasonal construction constraints within permits and easements, and other factors result in a need to adjust the sequencing of project tasks and events. This has led to a sequencing of some project steps that is unusual for Wyoming (though not necessarily for others). Staff believes it is important for the Council to understand this sequencing before the Council meeting of September 16 at which the Council will be asked to consider related action items.

A ZOOM meeting among the staff members copied above and the city's financial adviser, Warren Creamer, and Roger Swets, the city's bond counsel, is scheduled for Monday morning. We intend to prepare a recommendation for discussion at the work session that evening.

In the meantime, some background may be helpful to you. It is not easy to relate all of the "moving parts" of this project. But to provide a bit of background for discussion at the September 9 work session, we offer the following facts. They are numbered for ease of reference during the discussion though the numbering carries no other significance.

1. In round numbers, the total project cost is estimated to total \$85 to \$86 million.
2. Consistent with our collaborative partnership with Ottawa County we anticipate Ottawa County will issue 43% of the project's debt and the city will issue 57% of the project's debt.
3. The bid we are recommending for the valves that need to be ordered now will total about \$1.2 million. The pre-bid estimate was over \$2.0 million.
4. Bidders on the 3 transmission main contracts total \$59,707,000 (also lower than the engineering estimate). Kamminga & Roodvoets (K&R) was the low bidder on contracts 1 and 2. Ric-Man Construction was the low bidder on contract 3. Both contractors are eager to work together. K&R would like to start next fall. Because of the valve delivery schedule, Ric-Man cannot start until next fall.
5. With contingencies and construction engineering, the total cost for contracts 1, 2 and 3 will be about \$71,678,000. The city share is about \$41 million.
6. Design of the surge suppression system is a bit behind schedule. Bidding will likely occur next spring. The costs are estimated to be about \$10 million. The city share will be about \$5.7 million.
7. While we will incur some costs immediately – to order the valves, to order rolled steel for production of the needed pipe, and for some other long-lead time items totaling \$1.5 - \$2 million – most of our costs will not be incurred until construction starts next fall. By then, we will also know the cost of the surge suppression system.
8. We are collaborating with Ottawa County on a "superseding water supply contract" to replace the 1988 agreement. We anticipate approaching the city's wholesale customer communities – Kentwood, Grandville, and the Byron-Gaines Utility Authority - to also replace our agreements with them.

9. While Ottawa County staff has worked very diligently, due to an unexpected stance taken by one of its constituent communities, Ottawa County needed to revise its debt issuance approach, delaying its issuance timeline until early 2025. Ottawa County seems confident its issuance will occur with its new approach but obviously is unable to guarantee that.

10. The city wants to be relatively assured it can fund the entire project cost before awarding contracts. Normally, we would wait until the bonds are issued. But, given the lengthy lead-times from some materials, that is not possible, especially if we were to wait for Ottawa County to issue its debt.

11. Consequently, at its September 3, 2024, meeting, the Council adopted a second amendment to its notice of intent, to provide for up to \$86 million in city bond issuance to also cover Ottawa County's portion of the debt. This will enable the city to fully fund the project if, for some unforeseen circumstance, Ottawa County fails to issue its debt. Publication to start the 45-day referendum period will occur soon.

12. We wish to minimize our overall project costs – including issuance costs, interest, etc. – by most advantageously structuring the debt issuance.

A. For the time being, we will ignore Ottawa County's portion of the project cost because we remain almost certain Ottawa County will not encounter further impediments to its anticipated issuance early next year and, if Ottawa County is unable or unwilling to issue its portion of the debt, with the newly amended notice of intent we could issue a 2<sup>nd</sup> series of bonds next spring to fund the Ottawa County portion of the debt.

B. Project cash needs are not significant until next summer (if the surge suppression work starts in the summer) or next fall. We may be able to cash flow payments for the valves and rolled steel.

C. On the other hand, the bond market is uncertain and there could be unanticipated events or circumstances that might impair issuance of bonds or significantly increase interest rates.

13. Whether we issue bonds now or later, we do not anticipate any circumstances in which any bond proceeds would remain unspent within the required 3 years.

14. We have contemplated issuing in multiple series with an issuance now and one later next year when more cash is needed. That would increase issuance costs. Interest rates may rise or fall in the interim.

15. According to Roger Swets (bond counsel), arbitrage and arbitrage rebates could be a factor. Jodi Yenchar says we are currently earning 5±% on invested funds. Depending on the bond interest rates, arbitrage may be possible. Roger says that the timing of project payments can affect whether the arbitrage rebates are paid.

16. To date, we have spent about \$2 million that would be reimbursable from bond proceeds. While we have considered not reimbursing ourselves, if doing so avoids or reduces some arbitrage rebates, we may choose to do so.

17. We intend to ask the City Council to award the valve contract and construction contracts 1, 2 and 3 at its September 16 meeting. We also intend to seek City Council approval at that meeting of an amendment to the Prein & Newhof contract to provide construction engineering (a little under \$5 million due to the project's extended time frame and complexity).

These are highlights of some considered factors. Others may arise as we discuss this matter at our Monday ZOOM meeting. If so, we will provide them to you during the discussion Monday evening.