

CITY OF MONTROSE MEMORANDUM

Date: February 10, 2026

To: Mayor Banks and Montrose City Council Members

From: Joe Karichek, City Manager 

Subject: Proposed Budget Calendar for Fiscal Year 2026-2027

Background: The following budget calendar is proposed for City Council’s consideration. It is important to note that except for requirements established by the City of Montrose City Charter or state law, the proposed budget calendar may change based upon projections of state-shared revenue sharing and property tax revenue.

<u>Date</u>	<u>Activity</u>
02/16/2026	Distribute Worksheets for Operational & Capital Budgets to Department Heads ----- Discuss Requests As They Develop
02/27/2026	Reconciliation of Departmental Budget Requests with Dept Heads
02/23/2026 03/02/2026	Final Budget Worksheets Submitted Revenue Projections and Personnel Related Expenses Finalized
04/08/2026	City Council Budget Workshop I With City Council
04/9/2026	Planning Commission Mtg for Review of Proposed Capital Budgets
04/28/2026	Draft of FY 2026/2027 Budget Presented to
05/11/2026	Required Publications Re: Public Hearing/Truth-In Taxation/Special Assessments (sent to Tri-County Times no later than 4/28/2026)
05/26/2026	Public Hearing and Adoption of FY 2026/2027 Budget

Recommendation: It is recommended the city council Adopt the Proposed FY26/26 Budget calendar.

2.

CITY OF MONTROSE

MEMORANDUM

Date: February 9, 2026

To: Mayor Banks and City Council Members

From: Joe Karlichek, City Manager

Subject: Consider Resolution to Opt Out of PA152

Background: Under PA 152 of 2011, public employers are limited in the amount of healthcare expenses they can cover for their employees, unless they opt out of the PA 152 system, by either a majority vote or a 2/3rds vote of the City Council (depending on the nature of the opt-out).

Under PA 152, the default is that there is a "hard cap" of expenses a public employer, including a municipality, can pay on behalf of its employees. The hard cap amount and the calculation process for 2026 is included in this memo. Link provides the reader the information relative to Department of Treasury Memorandum;

https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/ORTA/Economic-Reports-Notices/FY-2026/Notice_03282025_PubEmpMedPlanLimit-Signed.pdf?rev=d16b1eefbb7b4cb083b2e51c44bad684&hash=A6121CBB0323CE6354F9087E21154CA0

If the municipality chooses not to abide by the hard cap, they may do so by electing one of two options: either the "80-20" system or a complete opt-out.

The 80-20 system requires an affirmative vote of a majority of the City Council and institutes a system whereby employees must pay 20% of the total healthcare expenses incurred by the municipality, while the municipality pays the other 80%. This system can mean each employee pays 20% of their healthcare expenses or it means that each employee pays an equivalent amount that adds up to 20% of the healthcare expenses incurred by the municipality.

The complete opt-out is just what it sounds like: by a 2/3rds vote of the City Council, the municipality can opt to cover up to all healthcare expenses incurred by the municipality, leaving the employees without an obligation to pay anything out-of-pocket towards their healthcare expenses.

- From reviewing the Administrative Code, the City policy has been to opt out each year and may require each employee to pay 2% of their healthcare expenses each year. However, it's not clear to me that the City has actually been taking the votes each year to put that policy into place.
- If the City Council wants to opt-out of the PA 152 system, it may do so. **However, that will require a resolution at a City Council meeting that is passed by a 2/3rds majority of the City Council.**

Here is a quick overview of the system put together by the Michigan Municipal League and printed copy of the memorandum accompanies this memorandum;

<https://mml.org/wp-content/uploads/2024/11/2024-FS-PA-152-Medical-Contribution-Caps-Plus.pdf>

In the Resolution the city council has the following three (3) options and a breakdown of each option, what it means and provides an understanding of the impact:

- 1) Apply the Hard Cap (capped dollar amount each government employer may pay towards an employee's healthcare costs);
- 2) Adopt by majority vote the 80%/20% (employer/employee) cost-sharing model;
- 3) Opt out of the cost-sharing model by a super majority vote of five as set forth in the bill and revisit it prior to the next year.

What occurs when the city council chooses either options?

Resolution Option 1: Apply the Hard Cap

- A fixed dollar limit (\$) on employer contributions, regardless of total plan cost.
- Includes premiums, deductibles, copays, and payments to HSAs or FSAs.
- Public employers can allocate their total allowable contribution among employees as they see fit.
- These caps are updated annually by the State Treasurer based on the medical component of the U.S. Consumer Price Index.

Summary:

If council decides this option, it will effectively cap the cost the city will pay for premiums and not include the excess of the 2026 allowable limits under PA152. Any premiums in excess of the Hard Cap, shall be the responsibility of the employee to pay the difference.

Example: Hard Cap is \$100.00, the premium above the Hard Cap is \$110.00. This effectively exceeds the Hard Cap, and the employee shall pay the difference of the premium each month of the CY.

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Resolution Option 2: Adopt by majority vote the 80%/20% (employer/employee) cost-sharing model

- A simple majority vote is required to adopt this, which serves as an alternative to the "hard cap" option.
- The 80% cap applies to the total annual costs of all medical benefit plans offered.
- This, or a similar alternative, ensures compliance with PA 152 to avoid penalties, such as reduced state funding.
- Public employers are authorized to allocate the 20% employee share among their staff.
- While employers can opt for this model, they may still have a duty to bargain with unions over the specific allocation of costs.

Summary:

If council decides this route, the city will compel the employees to contribute 20% of the premium broken out each month.

Example: If the premium per month is \$100.00 and the employee is responsible for 20%, the employee will see a deduction of \$20.00 per month.

There are implications to this decision that require the city manager to negotiate with the Union.

Resolution Option 3: Opt out of the cost-sharing model by a super majority vote of five as set forth in the bill and revisit it prior to the next year.

- A super majority vote of five is required to pass the resolution to opt out of the 80/20 cost-sharing model.
- This acts as one of the legal, compliant options for public employers under PA 152.
- The decision must be reviewed prior to the start of the next year, ensuring annual assessment of the health insurance strategy.
- Provides flexibility in managing employee healthcare costs rather than strictly applying the state-mandated 80/20 split.

Summary:

If the council decides this route, the city will be exposed to paying additional premium costs above the hard cap. Example: If the premium is \$100.00 per month and the employee insurance premium renewal is \$120.00

per month and exceeds the already paid for healthcare coverage by the city (employer), the city would be required to pay the additional cost for the CY until the council decides again, the following year, to reconsider its options.

Recommendation: Based on my assessment it is recommended the city council choose Option 1 in the Resolution. Why? Option 1 limits the city exposure for this renewal period and the city council will revisit this Resolution again, as it should, in 2027 and every consecutive year going forward as required under PA152.

RESOLUTION TO OPT OUT OF PA 152

WHEREAS, PA 152, passed by the state Legislature, was designed to lessen the burden of employee healthcare costs on public employers;

WHEREAS, Communities are given three options for complying with the requirements of the Bill;

WHEREAS, those three options are as follows:

- 1) Apply the Hard Cap (capped dollar amount each government employer may pay towards an employee’s healthcare costs);
- 2) Adopt by majority vote the 80%/20% (employer/employee) cost-sharing model;
- 3) Opt out of the cost-sharing model by a super majority vote of five as set forth in the bill and revisit it prior to the next year.

WHEREAS, the City of Montrose has determined to opt out of the cost-sharing model by a super majority vote of five as set forth in the bill as its choice of compliance under PA 152;

NOW, THEREFORE, BE IT RESOLVED, the Montrose City Council elects to comply with the requirements of the Publicly Funded Health Insurance Contribution Act by opting out of the cost-sharing model as set forth in PA 152.

Yeas:

Nays:

CERTIFICATION: I hereby certify that the foregoing is a true and complete resolution adopted by the City Council for the City of Montrose at a regular meeting held this day of _____ 2026.

Christina Rush
City Clerk



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

March 28, 2025

**PUBLIC EMPLOYER CONTRIBUTIONS TO MEDICAL BENEFIT PLANS
ANNUAL COST LIMITATIONS – CALENDAR YEAR 2026**

For a medical benefit plan coverage year beginning on or after January 1, 2012, MCL 15.563, as last amended by 2018 Public Act 477, sets a limit on the amount that a public employer may contribute to a medical benefit plan.

For medical benefit plan coverage years beginning on or after January 1, 2013, MCL 15.563 provides that the dollar amounts that are multiplied by the number of employees with each coverage type be adjusted annually. Specifically, the dollar amounts shall be adjusted, by October 1 of each year after 2011 and before 2019, by the change in the medical care component of the United States consumer price index for the most recent 12-month period for which data are available. By April 1 of each year after 2018, the dollar amounts shall be adjusted by the change in the medical care component of the U.S. consumer price index for the most recent 12-month period for which data are available. For calendar year 2025, the limit on the amount that a public employer may contribute to a medical benefit plan was set to the sum of the following:

- \$7,718.26 times the number of employees and elected public officials with single-person coverage
- \$16,141.28 times the number of employees and elected public officials with individual-and-spouse coverage or individual-plus-1-nonspouse-dependent coverage
- \$21,049.85 times the number of employees and elected public officials with family coverage.

The limits for 2026 equal the 2025 limits increased by **2.9 percent**. The 2.9 percent is the percentage change in the medical care component from the period March 2023-February 2024 to the period March 2024-February 2025.

Thus, for medical benefit plan coverage years beginning on or after January 1, 2026, the limit on the amount that a public employer may contribute to a medical benefit plan equals the sum of the following:

- **\$7,942.09** times the number of employees and elected public officials with single-person coverage
- **\$16,609.38** times the number of employees and elected public officials with individual -and-spouse coverage or individual-plus-1-nonspouse-dependent coverage
- **\$21,660.30** times the number of employees and elected public officials with family coverage.

Rachael Eubanks

Rachael Eubanks
State Treasurer

March 28, 2025

PA 152—Caps on Medical Benefit Contributions

Introduction

PA 152, Publicly Funded Health Insurance Contribution Act, creates a “hard cap” on the amount a public employer may contribute to a medical benefit plan. It provides an option to elect an 80 percent contribution cap rather than the hard cap, or for a local unit to opt out entirely.

Hard Cap

A public employer may allocate its payments among its employees and elected officials as it sees fit. These caps will be adjusted by October 1 each year, to apply to the following calendar year, based on the change in the medical care component of the U.S. consumer price index (CPI) for the most recent 12-month period available from the Department of Labor, Bureau of Labor Statistics.

80/20

By a majority vote, a public employer may opt out of the hard cap and into an 80 percent cap option wherein the public employer may not pay more than 80 percent of the total annual costs of all the medical benefit plans it offers or contributes to for its employees and elected officials.

The public employer may allocate employees' share of the total annual costs of a medical benefit plan as the employer sees fit. However, *elected* public officials must pay 20 percent or more of the total annual costs of the medical benefit plan.

Complete Opt-Out

By a 2/3 vote each year, a local unit of government may exempt itself from the requirements of this Act for the next year. An exemption is not effective for a city with a mayor who is both the chief executive and chief administrator, unless the mayor also approves the exemption.

Total Annual Costs

Both the hard cap and the 80 percent cap pertain to total annual costs of the medical benefit plan. These include the premium and all employer reimbursement of co-pays, deductibles, and payments into health savings accounts, flexible spending accounts, or related accounts.

Collective Bargaining Agreements or Other Contracts

Any collective bargaining agreement executed on or after September 15, 2011, must comply. A public employer's expenditures for medical benefit plans under a collective bargaining agreement or other contract are to be excluded from the maximum payment formula under the hard cap provision.

Deductions

A public employer may deduct an employee's or elected official's portion of the costs of medical benefit plans from compensation due, and the employer may condition eligibility for the plan on the employee/elected official providing authorization to make such a deduction.

CITY OF MONTROSE

MEMORANDUM

Date: February 18, 2026

To: Mayro Banks and City Council Members

From: Joe Karichek, City Manager

Subject: Notice of City Streetscape Project

Background: The City of Montrose has recently experienced multiple structure fires within its downtown district, resulting in significant economic loss, business disruption, and damage to the community’s historic character. These events have strained local businesses and weakened the City’s downtown core.

At the same time, the district’s public infrastructure has deteriorated, and existing streetscape is outdated and visibly declining with streetlights more than 23 years old posing safety concerns for pedestrians. Sidewalks, public spaces, and building facades reflect years of deferred investment, including one parcel requiring full rehabilitation. These conditions limit the Downtown Development Authority’s ability to effectively market and attract businesses.

While the City and DDA are committed to contributing local funds, Montrose lacks a sustainable revenue mechanism to complete a transformational project of this scale without jeopardizing its General Fund and DDA fund balance. State partnership is essential to catalyze long-term revitalization and economic recovery in our small but important Genesee County city.

This investment represents more than infrastructure improvements—it is a generational commitment to restoring Montrose’s economic resilience and community identity. By addressing safety concerns, modernizing public infrastructure, and rebuilding downtown character, the project will stimulate private reinvestment, enhance property values, support small business development, and strengthen the City’s tax base.

Project Description

The proposed Downtown Streetscape and Improvement Project will comprehensively revitalize Montrose’s downtown in alignment with the City’s Master Plan, Housing Study, Parks and Recreation Plan, and DDA TIF Alignment Plan.

The project includes renovation and preservation of the historic depot to strengthen its role as a civic and economic anchor. Streetscape improvements will feature new ADA-compliant sidewalks, replacement of outdated and unsafe street lighting with energy-efficient decorative fixtures, and installation of durable, low-maintenance landscaping to enhance safety, accessibility, and long-term sustainability.

Additional enhancements will incorporate pedestrian seating and gathering areas to encourage foot traffic and support local businesses. Targeted façade improvements, including full redevelopment of a severely distressed parcel, will further restore downtown character and stimulate private reinvestment.

Recommendation: It is recommended the city council receive and file report. No action at this time. It is purely for the Mayor and Council edification. As the project moves forward city council will remain informed.

[Martus Primary Sponsorship Form]

1. The cosponsoring representatives' names (If applicable):
Mr. Jasper R. Martus, State House Representative 69th House District
2. Intended legislatively directed spending item recipient:
City of Montrose
3. Physical address of legislatively directed spending item recipient and the intended location of the project or activity:
139 South Saginaw Street, Montrose, MI 48457 – Project location along M-57 from Saginaw street to Ruth/Grover Street.
4. The recipient's employer identification number (If applicable):
38-6007191
5. Project Contact Info
Joe Karlichek, City Manager – 810.639.6168 ext. 4 manager@cityofmontrose.us
6. Requested amount of the legislatively directed spending item:
\$1,740,000.00
7. What is the purpose and how does the legislatively directed spending item provide a public benefit that is an appropriate use of taxpayer money?

Project Background & Community Need

The City of Montrose has recently experienced multiple structure fires within its downtown district, resulting in significant economic loss, business disruption, and damage to the community's historic character. These events have strained local businesses and weakened the City's downtown core.

At the same time, the district's public infrastructure has deteriorated, and existing streetscape is outdated and visibly declining with streetlights more than 23 years old posing safety concerns for pedestrians. Sidewalks, public spaces, and building facades reflect years of deferred investment, including one parcel requiring full rehabilitation. These conditions limit the Downtown Development Authority's ability to effectively market and attract businesses.

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Additional enhancements will incorporate pedestrian seating and gathering areas to encourage foot traffic and support local businesses. Targeted façade improvements, including full redevelopment of a severely distressed parcel, will further restore downtown character and stimulate private reinvestment.

8. Has the legislatively directed spending item previously received any of the following types of funding? Check all that apply.

Federal

State

Local

None

9. Estimated time frame for completion of the legislatively directed spending item project:

It is estimated to take 6 to 12 months to complete.

Additional Information for Nonprofit Corporations (if applicable)

The answer to questions 1 to 3 must be "Yes" for the nonprofit corporation to qualify for a legislatively directed spending item.

10. For a non-profit organization, has the organization been operating within Michigan for the preceding 36 months?

Choose an item.

11. For a non-profit organization, has the entity had a physical office within Michigan for the preceding 12 months?

Choose an item.

12. For a non-profit organization, list all the active members on the organization's board of directors and any other officers.

Click or tap here to enter text.

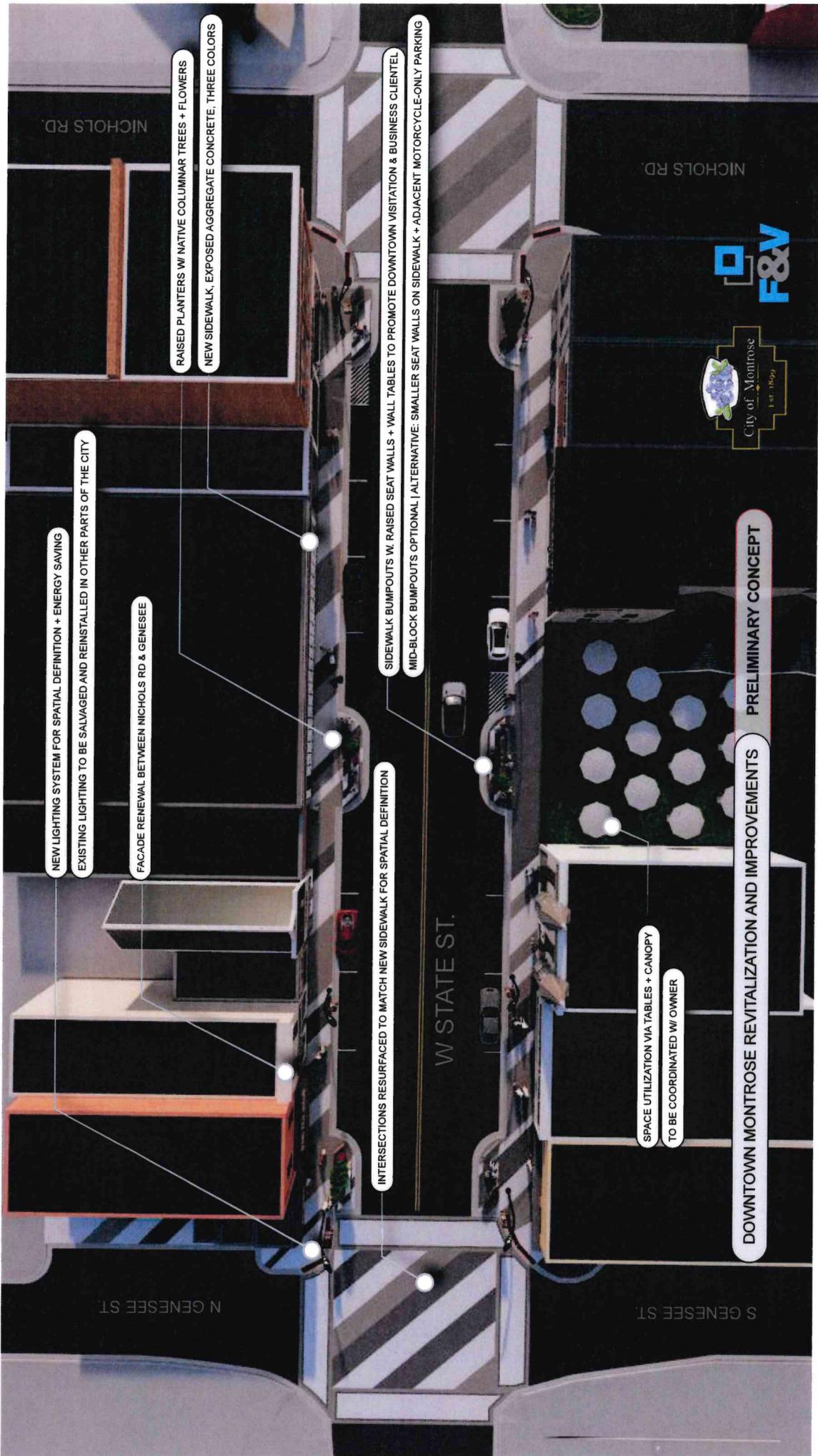
DOWNTOWN MONTROSE REVISIONING

126 W. State

REVITALIZATION & IMPROVEMENTS

- PROMOTE THE DOWNTOWN AS A DESTINATION**
- INCREASE PEDESTRIAN VISIT TO BUSINESSES**
- FACILITATE DINING AND DRINKING BUSINESSES**
- ENCOURAGE WALKABILITY, BIKABILITY, AND ACTIVE TRANSPORTATION**
- FACADE RENEWALS AND URBAN BEAUTIFICATION**





NEW LIGHTING SYSTEM FOR SPATIAL DEFINITION + ENERGY SAVING
EXISTING LIGHTING TO BE SALVAGED AND REINSTALLED IN OTHER PARTS OF THE CITY

FACADE RENEWAL BETWEEN NICHOLS RD & GENESEE

RAISED PLANTERS W/ NATIVE COLUMNAR TREES + FLOWERS
NEW SIDEWALK, EXPOSED AGGREGATE CONCRETE, THREE COLORS

INTERSECTIONS RESURFACED TO MATCH NEW SIDEWALK FOR SPATIAL DEFINITION

SIDEWALK BUMPOUTS W/ RAISED SEAT WALLS + WALL TABLES TO PROMOTE DOWNTOWN VISITATION & BUSINESS CLIENTEL
MID-BLOCK BUMPOUTS OPTIONAL, ALTERNATIVE: SMALLER SEAT WALLS ON SIDEWALK + ADJACENT MOTORCYCLE-ONLY PARKING

SPACE UTILIZATION VIA TABLES + CANOPY
TO BE COORDINATED W/ OWNER

DOWNTOWN MONTROSE REVITALIZATION AND IMPROVEMENTS

PRELIMINARY CONCEPT



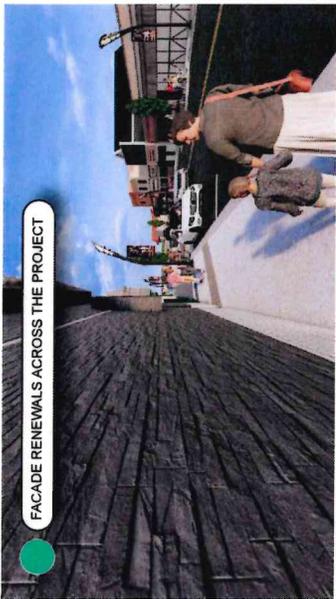
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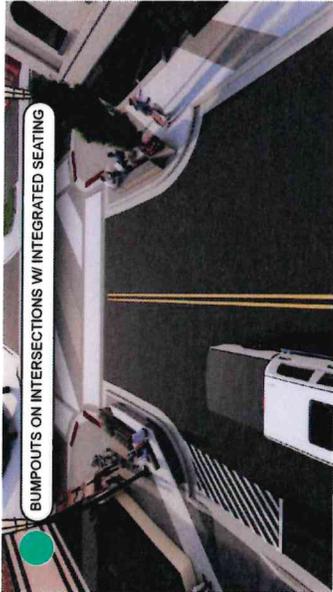
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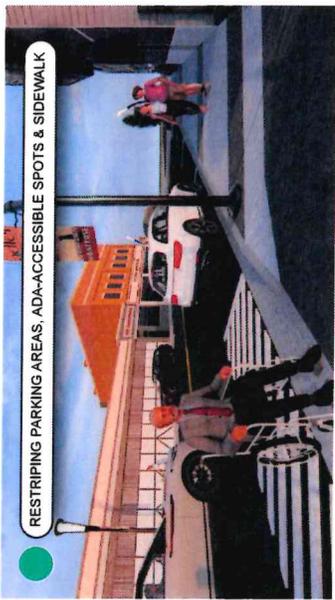
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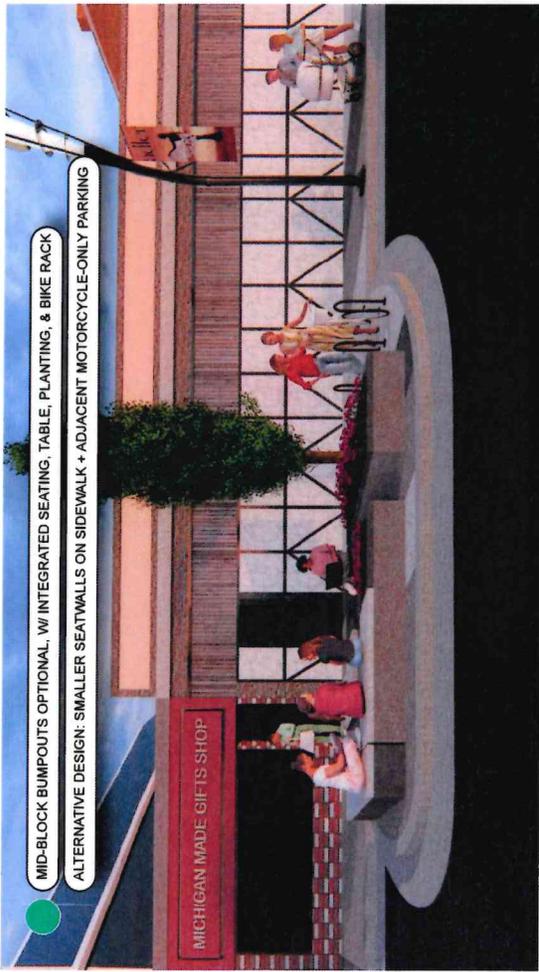
FACADE RENEWALS ACROSS THE PROJECT



BUMPPOINTS ON INTERSECTIONS W/ INTEGRATED SEATING

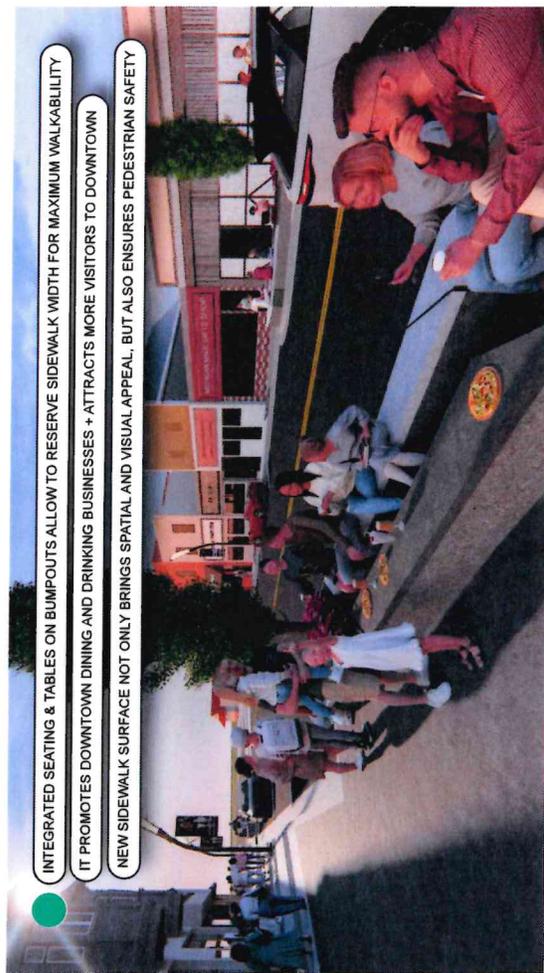


RESTRIPING PARKING AREAS, ADA-ACCESSIBLE SPOTS & SIDEWALK



MID-BLOCK BUMPPOINTS OPTIONAL, W/ INTEGRATED SEATING, TABLE, PLANTING, & BIKE RACK

ALTERNATIVE DESIGN: SMALLER SEATWALLS ON SIDEWALK + ADJACENT MOTORCYCLE-ONLY PARKING



INTEGRATED SEATING & TABLES ON BUMPPOINTS ALLOW TO RESERVE SIDEWALK WIDTH FOR MAXIMUM WALKABILITY

IT PROMOTES DOWNTOWN DINING AND DRINKING BUSINESSES + ATTRACTS MORE VISITORS TO DOWNTOWN

NEW SIDEWALK SURFACE NOT ONLY BRINGS SPATIAL AND VISUAL APPEAL, BUT ALSO ENSURES PEDESTRIAN SAFETY

DOWNTOWN MONTROSE REVITALIZATION AND IMPROVEMENTS

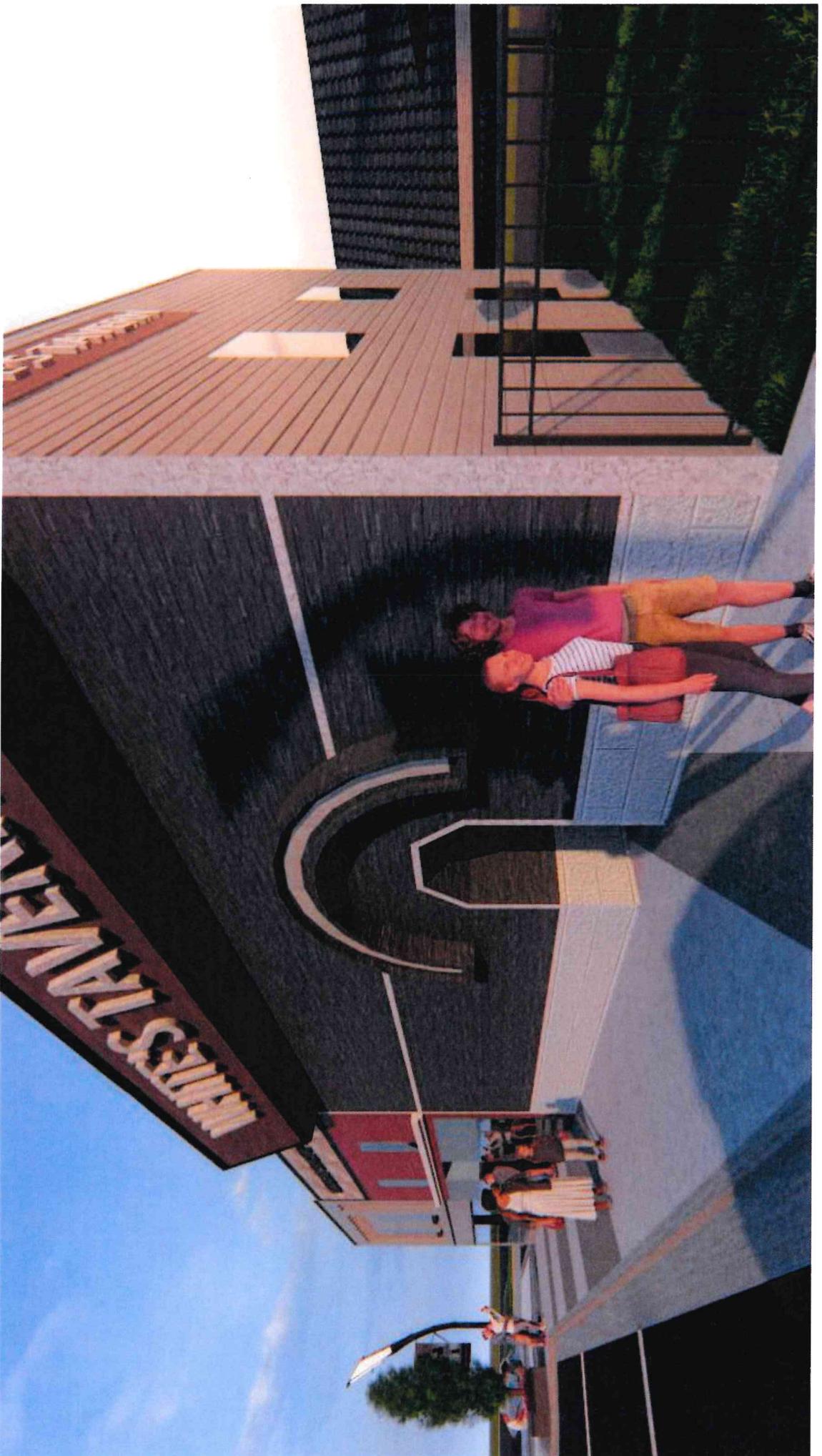
PRELIMINARY CONCEPT











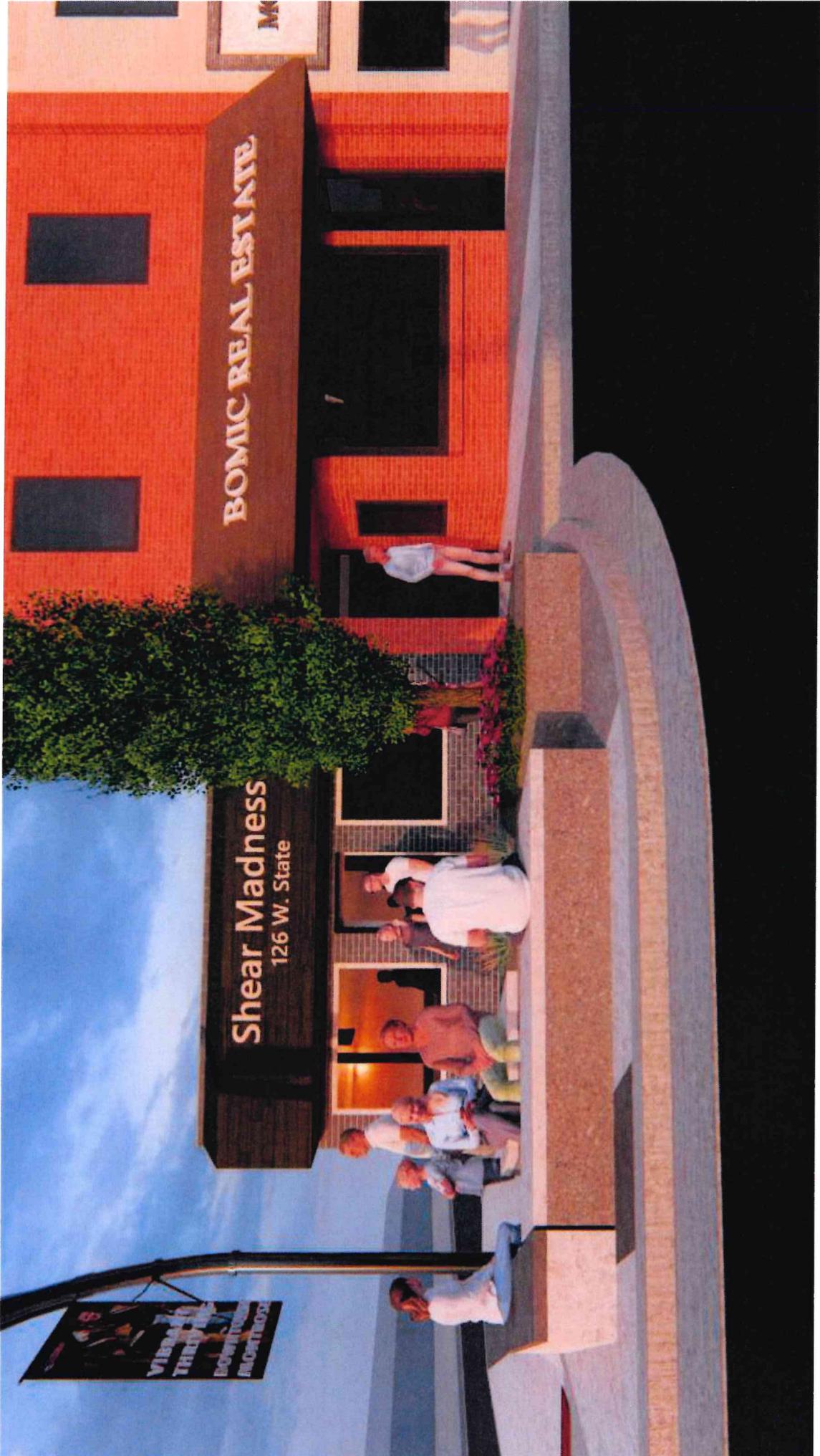








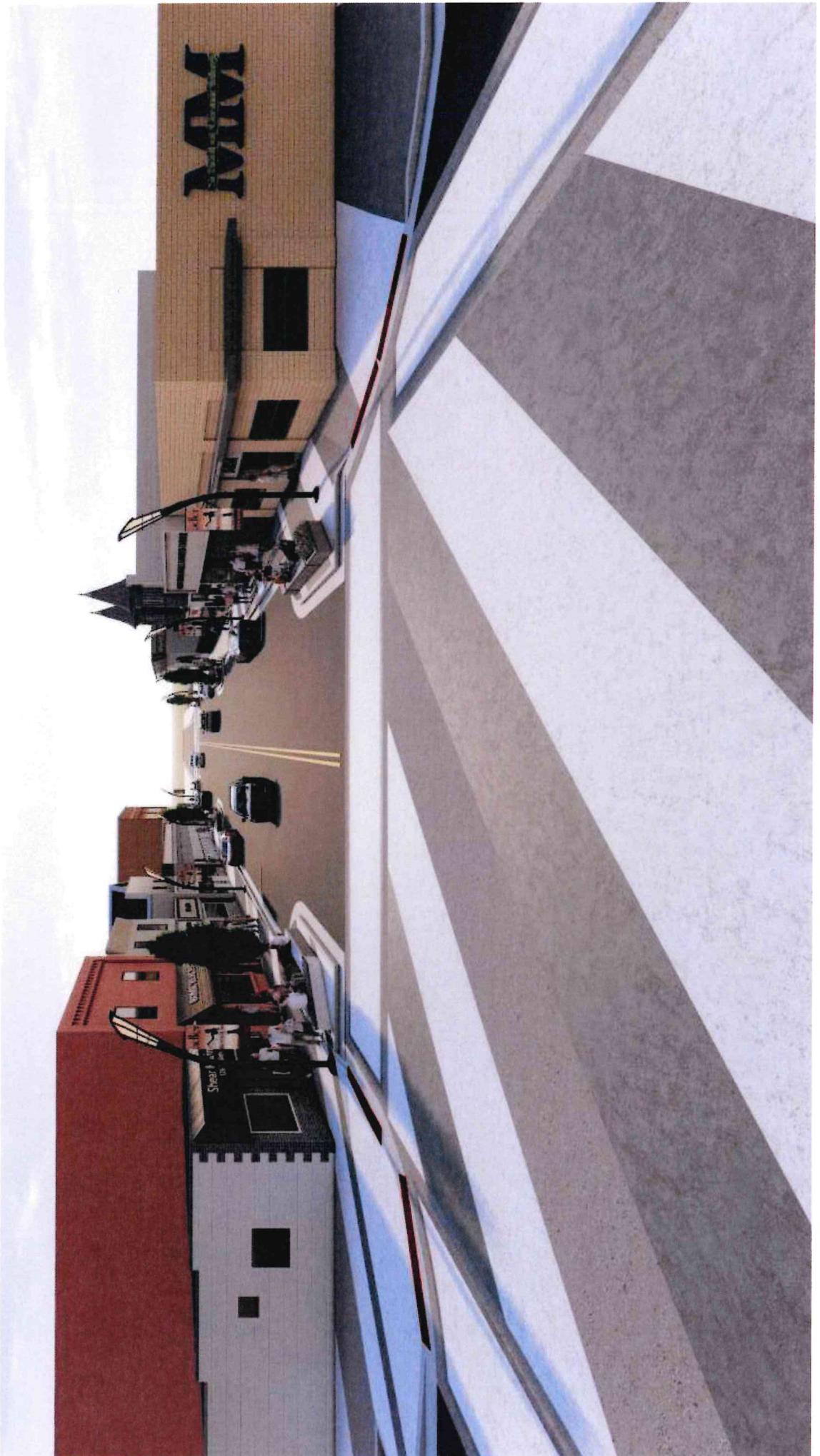


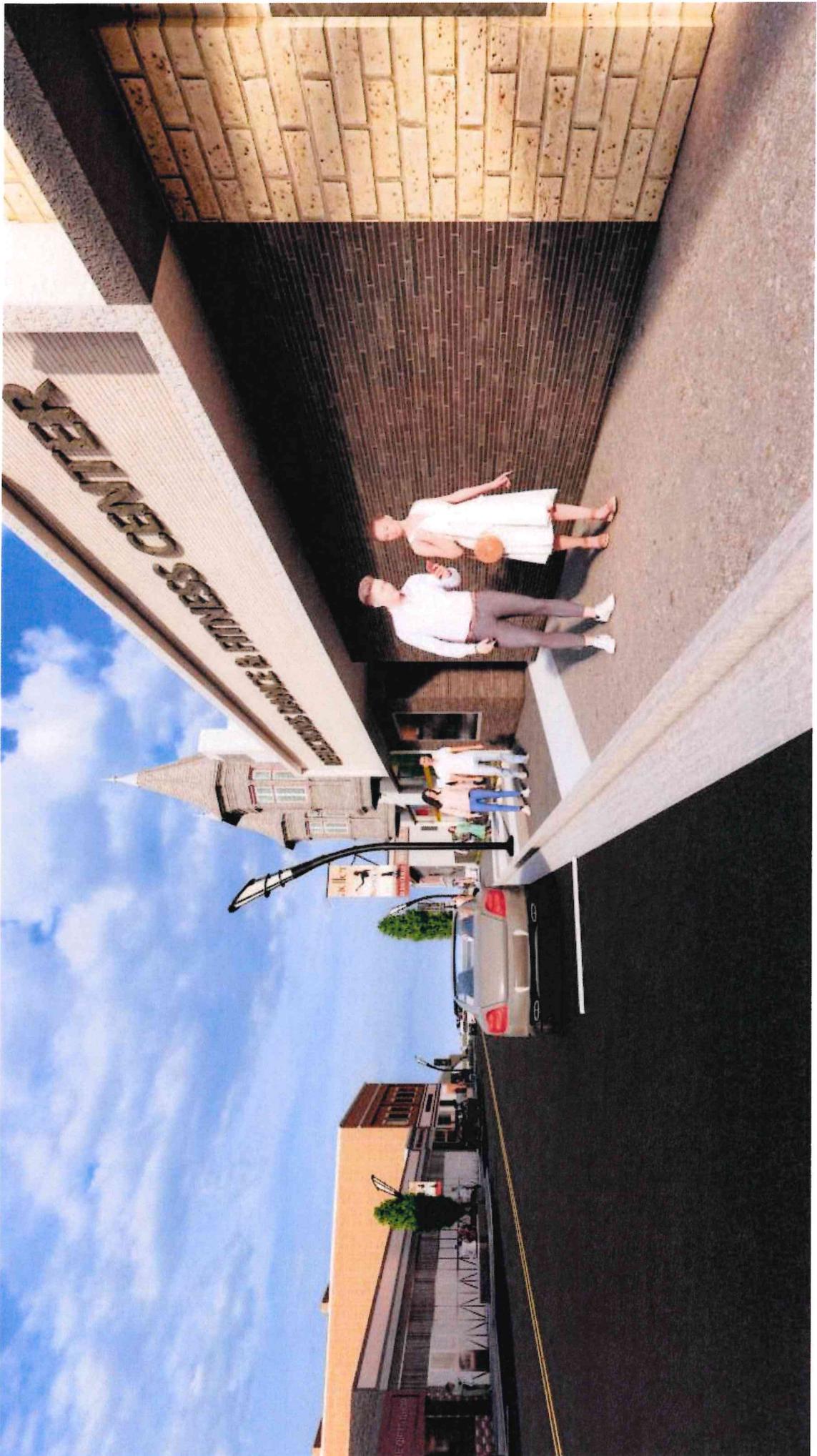


BOMIC REAL ESTATE

Shear Madness
126 W. State

VIETNAM
THIRTY
DAYS
IN OVERTURE



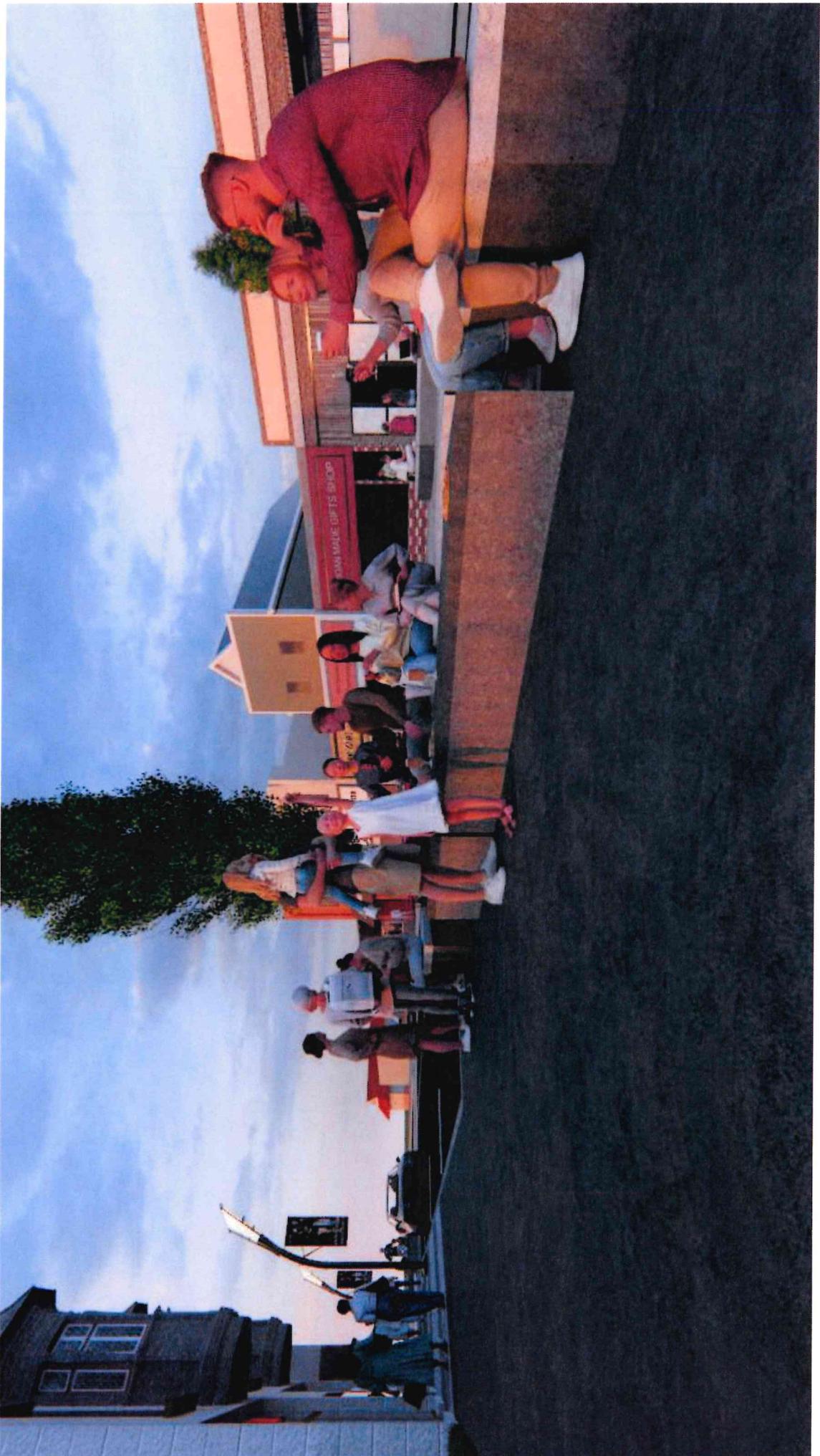


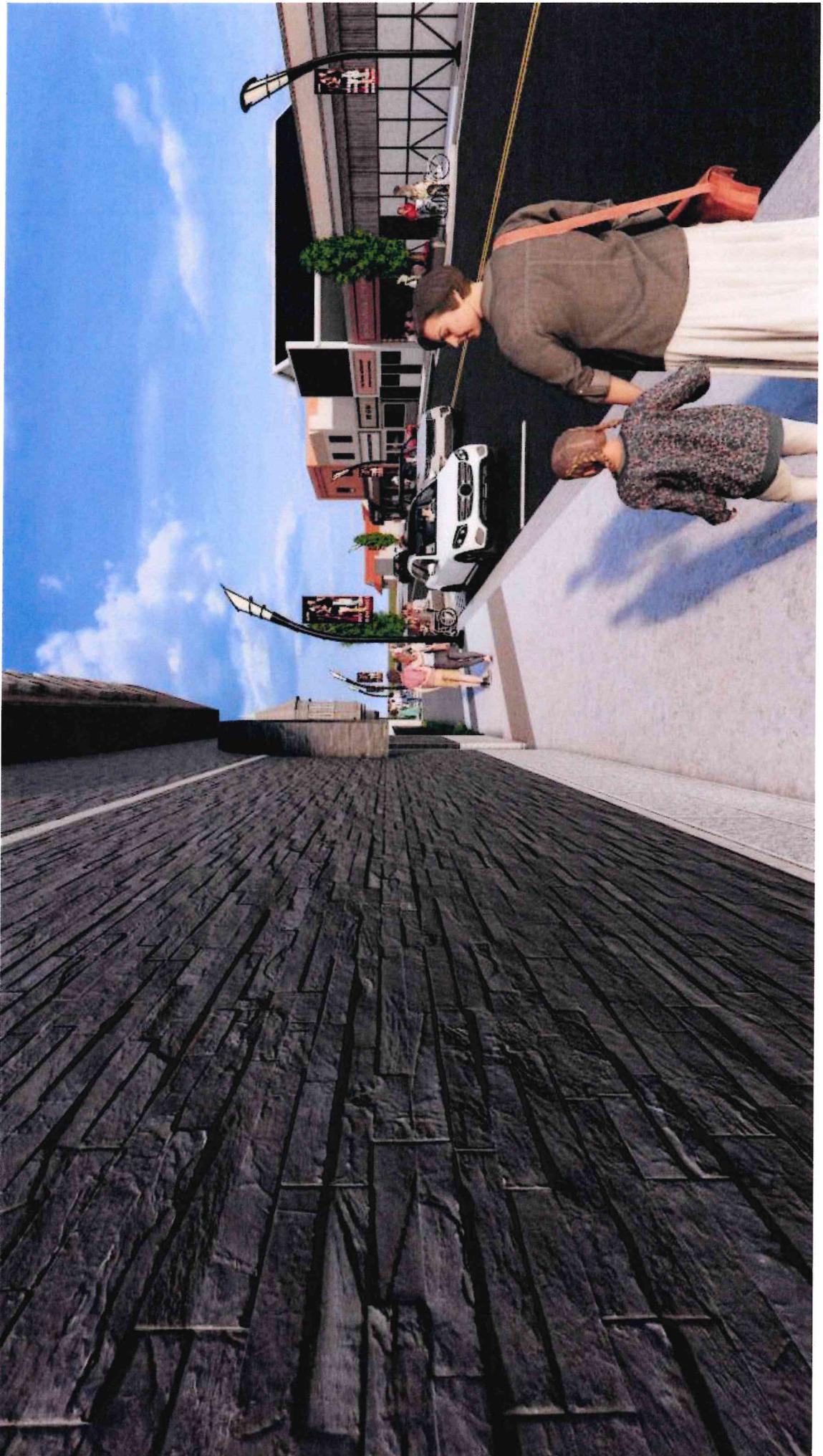






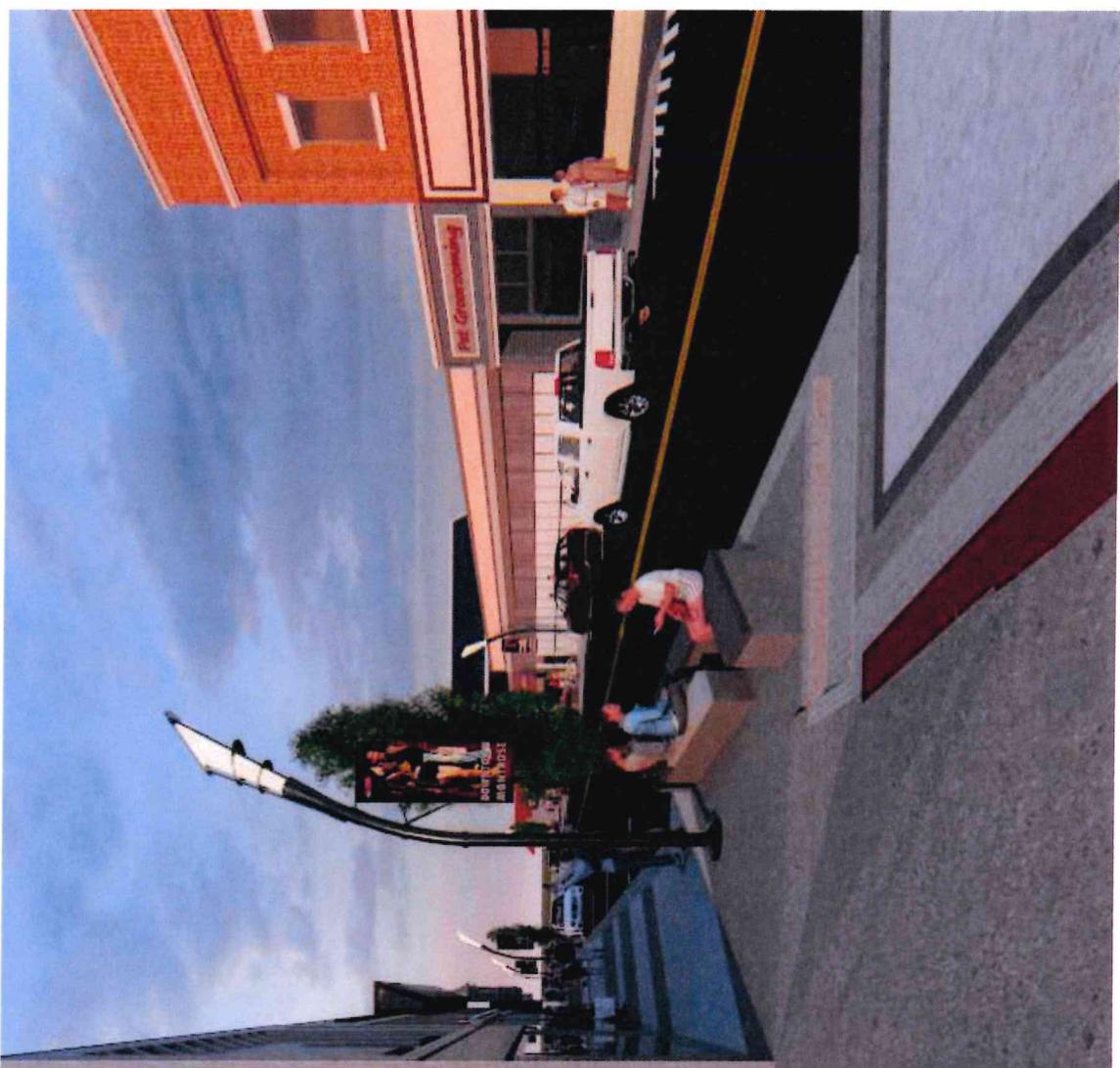








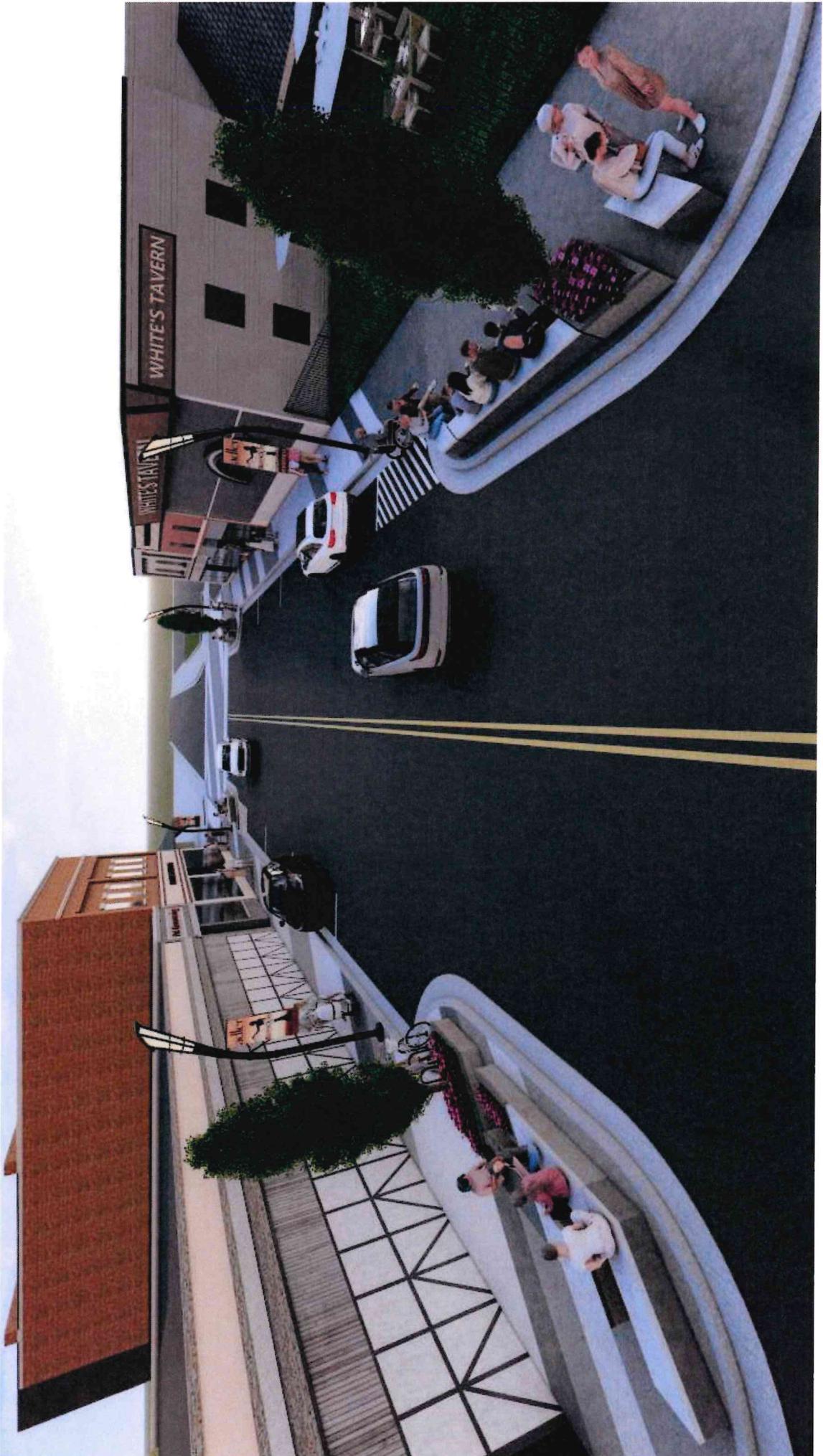
Naaples
Gourmet Pizzeria & Ristorante

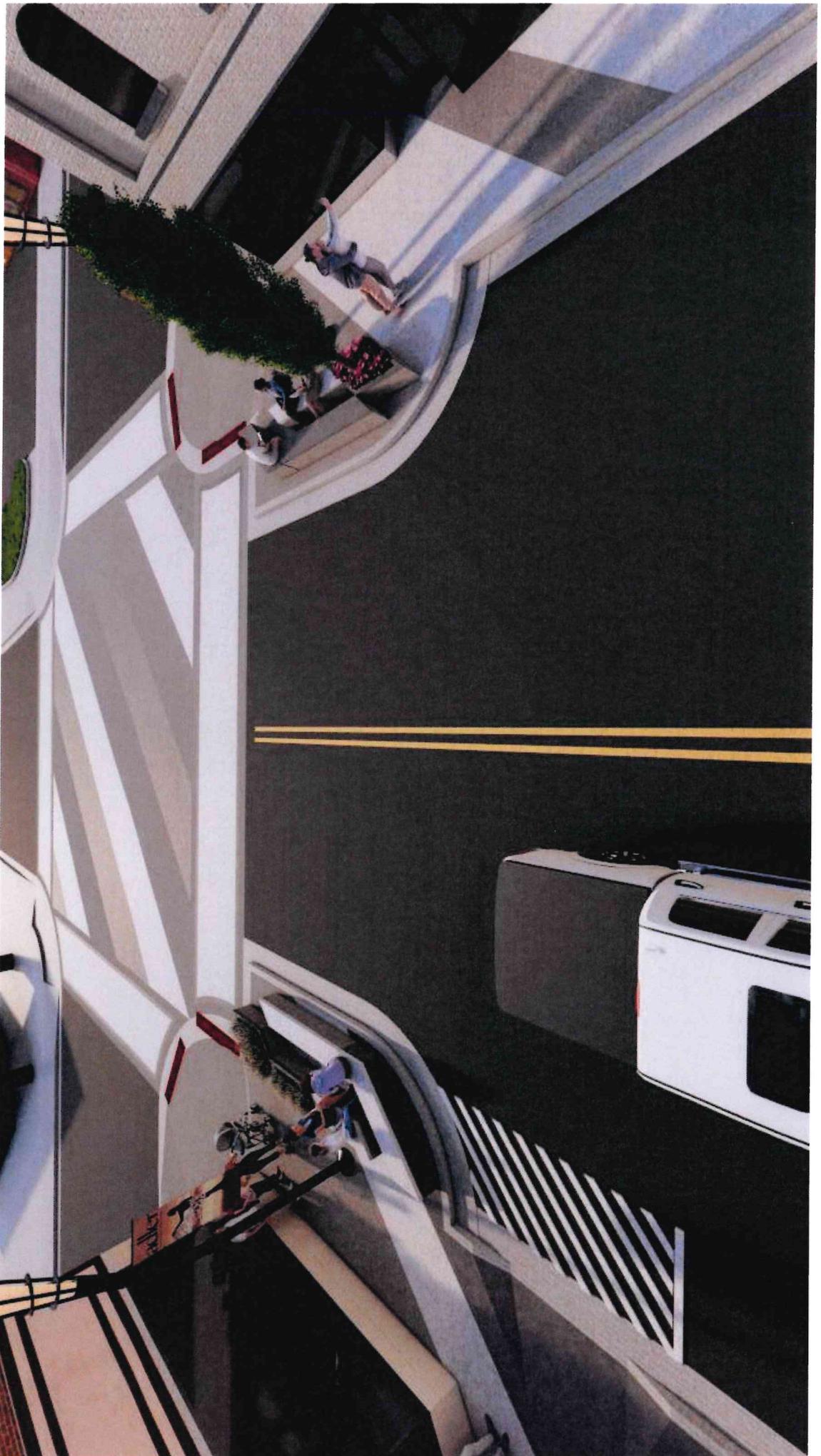


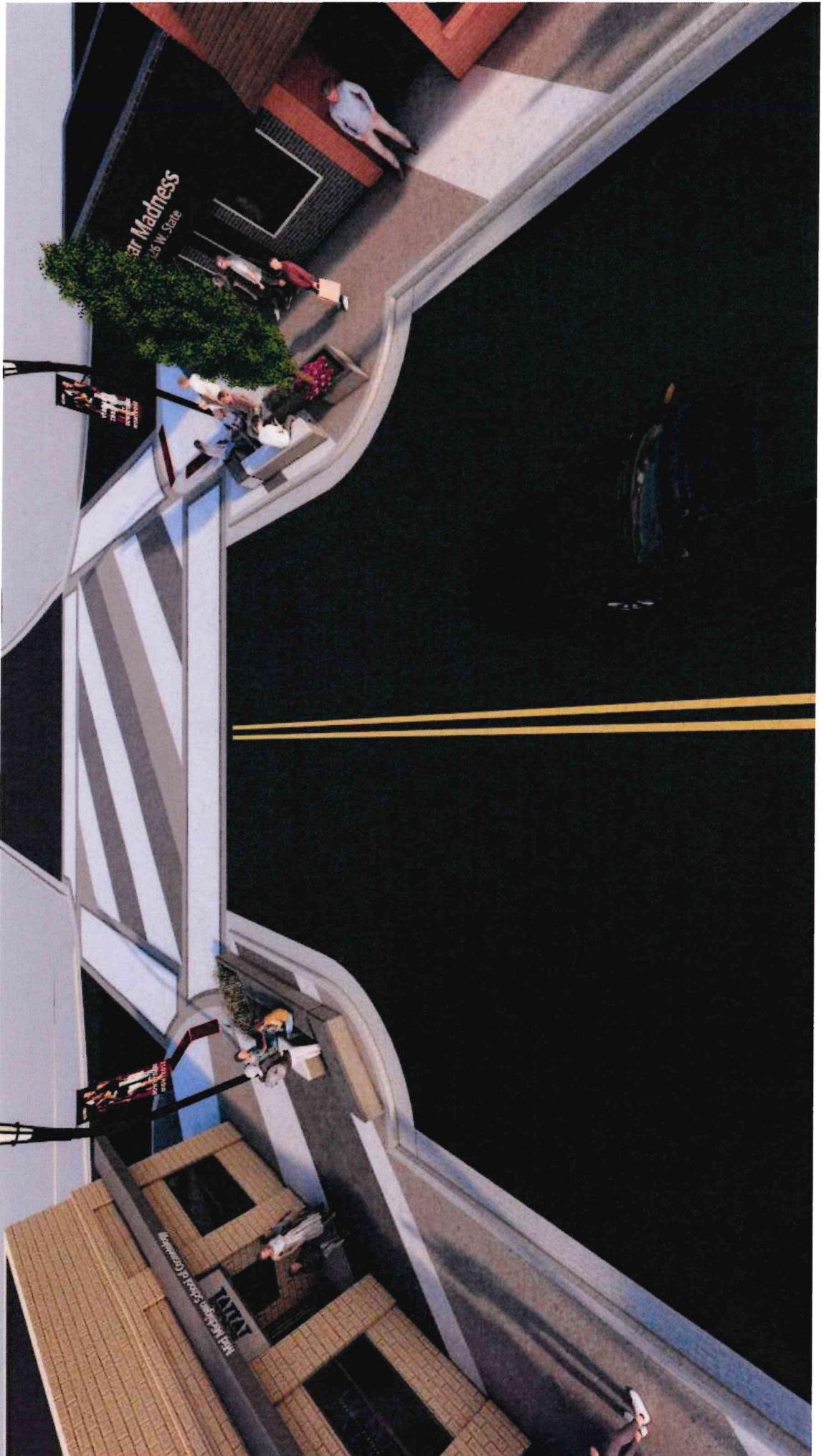








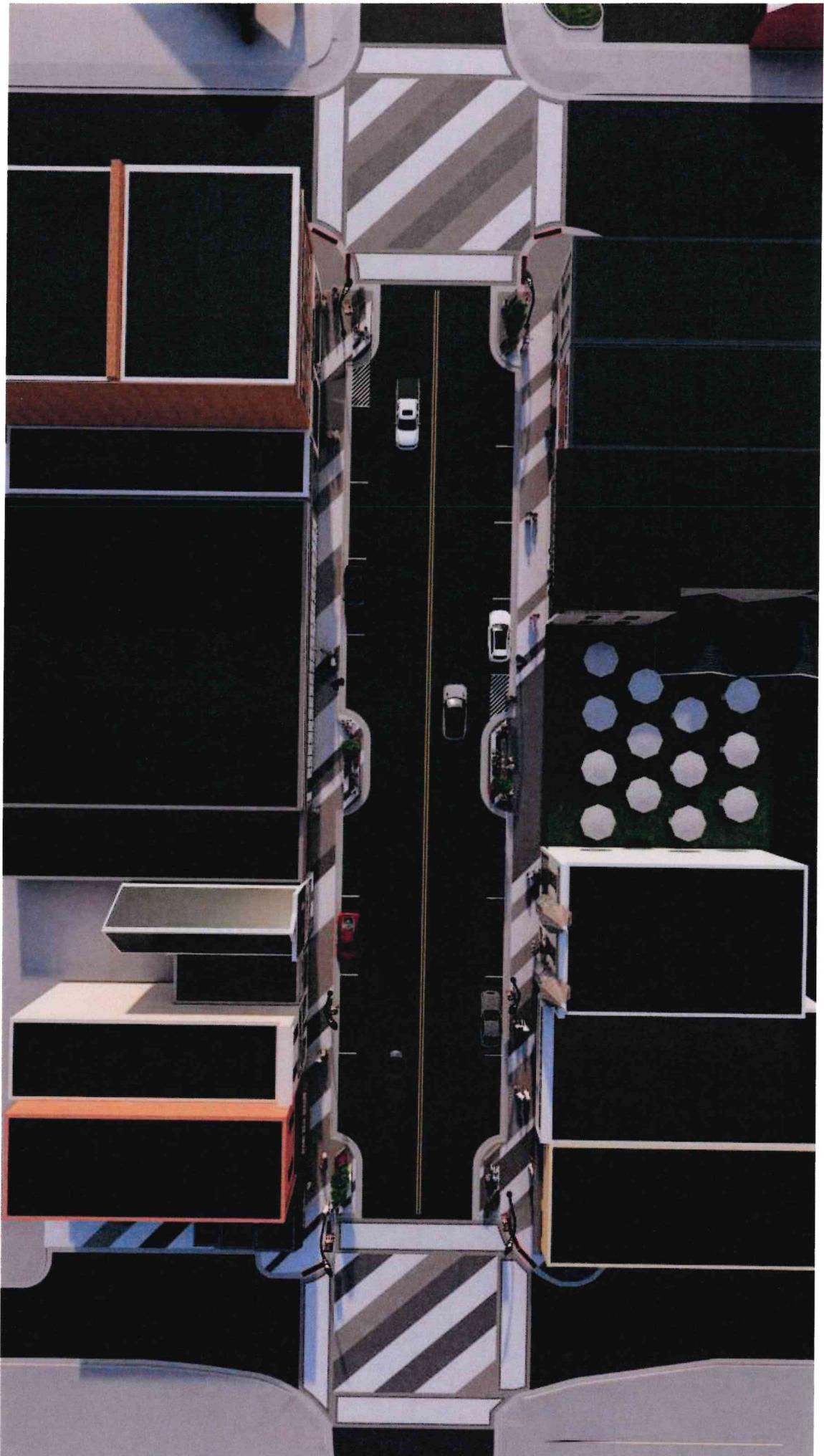












**Engineer's Opinion of Preliminary Project Cost
DOWNTOWN MONTROSE & HISTORIC DEPOT
MONTROSE, MI**



Project:

Date: 2/12/2026

By: AEG

Project Description: New concrete sidewalk with three colors, seatwalls, downtown gathering space, promotion of active transportation, community gathering hub, façade renewals, new lighting, and bumpouts.

Drawing Reference:

ITEM NUMBER	ITEM DESCRIPTION	UNIT	QTY	ESTIMATED UNIT PRICE	ESTIMATED AMOUNT
GENERAL ITEMS					
1	Historical Depot Renovations	LSUM	1	\$ 150,000.00	\$ 150,000.00
2	Seatwalls & Tables + Bike Rack & Recycle Bins	LSUM	1	\$ 215,000.00	\$ 215,000.00
3	Landscape (Columnar Trees & Planters & Flowers)	LSUM	1	\$ 45,000.00	\$ 45,000.00
4	New Concrete Surface Sidewalk (Three Colors)	LSUM	1	\$ 210,000.00	\$ 210,000.00
5	New Intersections Concrete Matching Sidewalks	LSUM	1	\$ 115,000.00	\$ 115,000.00
6	Façade Renewals (Allowance)	LSUM	1	\$ 250,000.00	\$ 250,000.00
7	New Street Lighting	LSUM	1	\$ 100,000.00	\$ 100,000.00
8	Bumpouts	LSUM	1	\$ 70,000.00	\$ 70,000.00
GENERAL SUBTOTAL:					\$ 1,155,000.00

Construction Cost Subtotal:	\$ 1,155,000.00
Undeveloped Details / Contingency (20%)	\$ 231,000.00
Engineering (20%)	\$ 278,000.00
Legal / Administration (5%)	\$ 69,500.00

RECOMMENDED CONSTRUCTION BUDGET (ROUNDED): \$ 1,740,000.00

**This cost opinion is an estimate based on the current scope of the project and available information. It is subject to change due to factors such as market fluctuations, unforeseen site conditions, and project scope modifications. This cost opinion should not be considered a guarantee of final construction cost. F&V is not liable for any losses or damages arising from reliance on this cost opinion.

CITY OF MONTROSE

MEMORANDUM

Date: February 18, 2026

To: Mayro Banks and City Council Members

From: Joe Karichek, City Manager

Subject: Notice from Department of Treasury – Corrective Action Plan

Background: The city of Montrose received notice from the State of Michigan Department of Treasury a “Request for Improvement of Deficiencies Corrective Action Plan.” Please disregard the date on the letter as the city received a second notification in February with a March 16, 2026 deadline to file its response.

In that letter described two main deficiencies outlined in the Audit you received at the council meeting of January 27, 2026.

These deficiencies are not unexpected. City administration has communicated repeatedly since June 2025, the serious issues the city was facing without a Treasurer/Financial Director with the right acumen. In FY24/25 city administration committed to thousands of dollars in unbudgeted purchases, failed grant with payout, and numerous employee payouts. Funds normally budgeted for were vastly overspent and went unchecked. The council did not have a formal budgetary process as required and was effectively working off a copy and paste budget design for several years.

The tasks associated with the Treasurer’s Office far exceed the traditional roles spelled out in the City Charter. Consequently, the demand for accuracy, financial forecasting, budgeting, planning and execution are necessary to prevent such occurrences in the future.

The city cannot and is not continuing to do “business as usual” as it has the past decade or longer if it desires to prosper.

Recommendation: There is no action. This report is simply to inform the Mayor and city council this city administration position and a forthcoming response to the Department of Treasury.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

January 02, 2026

**Request for Improvement
of Deficiencies -**

Corrective Action Plan

Fiscal Year: 2025

Municipality Code: 252065

Report ID Number: 175643

Sent Via Email

City of Montrose

treasurer@cityofmontrose.us

Dear Governing Body:

The Community Engagement and Finance Division has received the audit report for the fiscal year referenced above. It is the responsibility of this division to administer certain State statutes. Consequently, your audit has been reviewed to determine compliance with budgeting, accounting, auditing, and statutory compliance related activities. This review has identified issues that we believe need your attention.

Please note the following issues corresponding to response(s) on the auditing procedures report:

- Actual expenditures exceeded the amounts authorized in the budget. Please describe actions being taken to prevent budget variances.
- Bank reconciliations were not performed timely. Provide a bank reconciliation for the last month reconciled for the account(s) in question.

The matter(s) described above are either violations of state statute or are deficiencies of the local unit that may impede the local unit's ability to comply with state statute.

Additional deficiencies in your report are usually found in the form of comments and recommendations located toward the end of the report or may be filed separately. The plan should identify each Auditing Procedure Report question listed above, each additional deficiency, the corrective action to be taken, the supporting documentation requested, if any, and the date in which the action is to be implemented.

Therefore, within **30 days** from the date of this letter, please submit to us a detailed Corrective Action Plan to resolve the above-mentioned matter(s), including other deficiencies noted in your audit report. To submit your Corrective Action Plan, visit the department's online filing site at Michigan.gov/localfinancialreporting and select the File Online Reports tab. You must request local unit user access if one does not already exist. We do not accept hard-copy or emailed responses. Please combine multiple documents as only one document can be uploaded.

Failure to respond within 30 days or an inability to demonstrate that corrective action

has been implemented may result in one or more of the following:

- Denial of subsequent year qualified status under Public Act 34 of 2001, the Revised Municipal Finance Act (possibly preventing your municipality the ability to borrow money);
- Subject the local unit to an audit and/or review performed by Department of Treasury auditors at the expense of the local unit.

Please contact the audit review staff at LAFD_Audits@michigan.gov if you have any questions.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Local Audit and Finance Division

1

CITY OF MONTROSE MEMORANDUM

Date: February 17, 2026

To: Mayor Banks and Montrose City Council Members

From: Joe Karichek, City Manager

Subject: Receive and File Report on purchases for services

Background: Based on my review and talking with our DPW Director and Code Enforcement Officer, the City has not taken any enforcement action regarding unkempt sidewalks during winter months in many years. As you are aware, this was a topic of discussion at the January 27, 2026, city council meeting when two council members inquired about a business in the city that was blocking the right of ways and creating adverse and dangerous conditions for walkers. The continued and persistent action by the contractor assigned to take care of the business has been investigated two (2) times and letters have been sent requesting compliance. Those requests have failed.

Therefore, after discussing the violation and serious and continued health and safety violation with the code officer and then discussing with the DPW Director what would need to be done using our resources, I weighed the options of having the DPW or a local contractor address the matter. It was my decision to send Mr. Bruton's organization out to clear the hazard and to do so as quickly and safely as possible. To that point, I am authorized to make such decisions under several of the following Ordinance(s) (see Ordinance below).

As an example, if you recall, such decision was made in August 2025 when our DPW discovered dangerous tree hazards in Lions Park preceding the Blueberry Festival and we took action to ensure the public health and well-being was not compromised. Such services we may use from time to and time and without a professional services agreement.

In the case of Bruton's Snow Removal Service, we are still awaiting an invoice and that invoice is expected to not exceed \$500.00. (See Sec. 2-127 Purchases under \$1,000.00)

Sec. 2-138. - Emergency purchases.

In an emergency or an apparent emergency endangering the public peace, health, safety, security or welfare of the city and its people or property, the purchasing agent, the city manager, or any department head may purchase directly any equipment, machinery, materials, services or supplies they deem immediately necessary to abate or mitigate the imminent danger. Department heads shall be responsible to report all emergency purchases to the city manager on the next business day following the emergency purchase. The city manager shall report to the city council of all and any emergency purchase no later than the next regular meeting of the council.

Sec. 2-127 - Purchases or contracts under \$1,000.00.

The city manager and department heads are authorized to make purchases of new equipment, machinery, materials, services, supplies, and contract for labor and/or materials in amount not to exceed \$1,000.00 by

any given department, without approval from the city council, but only if an appropriation for such purchases or contracts have been made in the current operating budget. The purchases and contracts may be made either with or without competitive prices, depending upon the judgment of the city manager and/or department head as to which method shall best serve the interest of the city. For purposes of invoice preparation efficiency by the vendor, two or more departments may combine the purchases yet individually each department's purchase consists of less than \$1,000.00, regardless if all the various departments total combined invoice exceeds \$1,000.00 without committing a violation of this division. Contracts and purchases involving normal replacement equipment and repairs, parts or materials shall be exempt from this section.

Second, while I am uncertain as to whether the city will use Bruton's Snow Removal Service again, it is entirely up to the circumstances and investigations. The city has the option to occasionally enter into professional agreements when necessary. (See ordinance on Professional Agreements).

Sec. 2-131. - Professional services.

The city council or the city manager, as the case may be, may contract for professional services in accordance with this division and related city council adopted policies or decisions rendered. Contracts for professional services shall be authorized and approved by the city council. The city manager is authorized to use a reasonably limited minimum dollar amount of professional services incurred in the preparation of requirements imposed by federal or State of Michigan agencies or to apply for potential grant project funds whenever the timeline prohibits the city council from acting prior to the submission deadline. However, the city manager shall report such use of authorized professional services and related costs incurred to city council at the next regular meeting. Contracts for professional services may or may not be subject to bids or request-for-proposals/request-for-qualifications if deemed practical and is an ongoing historic relationship with the city from a given professional service provider and the city council.

I do not expect these occurrences to happen frequently and if so I will present a more formal professional services agreement for city council to consider. Remember this is a pass through arrangement. City receives invoice, city invoices property owner for collection. If collection is not met, the city reserves the right to add such collection to the property taxes.

Take note, the current purchasing Ordinance appears to be archaic, and I am working to revise such Ordinance and will make a draft recommendation to city council in the coming months. Today's world of purchasing is vastly different than that of 16 years ago when this Ordinance appears to have been established or updated.

Recommendation: It is recommended the City Council receive and file this report and the city manager, at his discretion, to direct future services to gain compliance with unkempt sidewalks in the city under the ordinance. City manager may consider a professional agreement with Mr. Bruton for sidewalk and grass/weed cutting services as well. Such agreement will come before city council.

2

CITY OF MONTROSE MEMORANDUM

Date: February 18, 2026

To: Mayro Banks and City Council Members

From: Joe Karichek, City Manager

Subject: Consider Proposals for Parks & Recreation Master Plan Update

Background: On November 17, 2025 I submitted a request to Genesee County GLS Region V an application for Grant Funding for the purpose of updating the city’s Parks & Recreation Master Plan that was set to expire December 31., 2025. I also provided this in a verbal report report to city council at the November meeting identifying the city’s P&R Master Plan was soon to expire and needed updating.

In December 2025 I received notification that the city was awarded up to \$12,000.00 in SPARK Grant Funding that is reimbursable to the city to fund the project. Following that, a Memorandum of Understanding (MOU) was signed with Genesee County GLS Region V.

In January 2026 and into early February, the city manager worked on a draft RFP.

In early February 2026, the city draft of procurement was sent to Genesee County for approval (as required under the MOU). The RFP was approved. Shortly after approval, the City Manager sent, via email, three (3) RFP’s to the following organizations who are identified as qualified consultant firms to perform such project.

1. Wade Trim
2. Fleis & Vanderbrink (F & V)
3. Rowe Professional Services Company (ROWE)

The city received proposals from all three organizations pursuant to the deadline. The following Proposals and costs from the three firms are the following and are the last page in each proposal;

<u>Proposal #</u>	<u>Organization</u>	<u>Fee for Project</u>
Proposal 1	Wade Trim	\$12,000.00
Proposal 2	F & V	\$15,600.00
Proposal 3	ROWE	\$11,800.00

All three (3) firms are excellent and have a proven track history with many municipalities including the City of Montrose. Firms Wade Trim and F & V, currently serve the city in its Zoning/Master Plan and vital Infrastructure and DDA respectively. That said, under the terms of the MOU, the city must select the lowest qualified bidder. In that regard, Rowe Engineering has provided the lowest bid of \$11,800.00. Pursuant to the MOU, the city must choose ROWE.

Recommendation: It is recommended the city council select Rowe Professional Services Company in the amount of \$11,800.00 in the procurement of updating the city’s Parks & Recreation Master Plan.

Memorandum of Understanding for SPARK Grant Recreation Plan Assistance

Memorandum of Understanding (MOU) between the Genesee-Lapeer-Shiawassee Region V Planning and Development Commission (GLS Region V) and The City of Montrose for the purpose of creating or updating a Recreation Plan utilizing SPARK Grant pass-through funds.

A. Purpose

The purpose of this MOU is to outline responsibilities and funding procedures related to the community's use of SPARK Grant funds passed through GLS Region V to procure a qualified consultant to prepare a Recreation Plan that meets the Michigan Department of Natural Resources (DNR) standards for five-year recreation planning.

B. Eligibility

To receive SPARK pass-through funding under this program, the community must meet the following conditions:

- The community has no current Recreation Plan; OR
- The community's Recreation Plan is expired; OR
- The community's Recreation Plan will expire within the next six (6) months; AND
- The community has displayed a lack of staffing or funding capacity that prohibits the completion of a Recreation Plan.

The community acknowledges that:

- Its maximum award is \$12,000 AND
- Reimbursement will not exceed this maximum award under any circumstances.

C. Activities to Be Performed by the Community

The City of Montrose agrees to perform the following tasks:

1. **Procure a Consultant**
 - Solicit and obtain three (3) written quotes for consultant contracts, purchases, or services in compliance with State of Michigan procurement guidelines.
 - Procurement guidelines can be found [using this link](#).
 - Select the lowest qualified bid and maintain documentation demonstrating compliance with competitive procurement requirements.
 - Procurement documentation must be sent to GLS Region V staff for review prior to soliciting bids and after bid opening before executing a contract with a consultant to ensure compliance with State procurement requirements.
2. **Enter into a Contract for Recreation Plan Services**
 - Execute a contract with the selected consultant to develop or update the community's Recreation Plan consistent with DNR requirements.
 - DNR Recreation Plan requirements can be found [using this link](#).
3. **Manage the Recreation Planning Process**
 - Provide timely information, staff coordination, public engagement support, and any required local approvals needed for the development of the Recreational Plan.

4. Submit Required Documentation for Reimbursement

- Submit procurement documentation, progress reports, invoices, consultant contracts, proof of payment, as required by GLS Region V for reimbursement processing.
 - Reimbursement requests shall be submitted at the conclusion of the project.
- Quarterly reporting:

Reporting Period	Report Due Date
January 1 – March 31, 2026	April 15, 2026 (Quarterly Report)
April 1 – June 30, 2026	July 15, 2026 (Quarterly Report)
July 1 – September 30, 2026	October 15, 2026 (Final Report)

- Quarterly reports should include work completed to date, work yet to be completed, and any issues encountered during the period.
- The final report should provide a brief summary of the new or updated Recreation Plan including a digital copy of the plan and should be sent with reimbursement request documentation.

D. Responsibilities of GLS Region V

1. **Administer Pass-Through Funding**
 - Manage SPARK Grant pass-through funds and provide reimbursement to the community for eligible expenses tied to Recreation Plan development.
 - Ensure that reimbursements do not exceed the community's maximum award.
2. **Review Submitted Documentation**
 - Confirm eligibility of expenditures, compliance with procurement requirements, and consistency with grant guidelines.
3. **Process Reimbursement Requests**
 - Submit billing to the appropriate state agency and, upon receipt of reimbursement, promptly reimburse the community for approved costs.
4. **Provide Technical Assistance**
 - Assist the community in understanding DNR Recreation Plan standards, procurement requirements, and documentation needs.

E. Funding and Reimbursement Terms

This is a pass-through project between GLS Region V and The City of Montrose.

- All SPARK Grant funds must be fully expended by September 30, 2026. No reimbursements will be made for costs incurred after this date.
- Reimbursement will be based on actual, eligible costs documented through invoices and proof of payment.
- The community may only be reimbursed up to its maximum award and is responsible for any additional costs beyond that amount.
- Reimbursement documentation is not to be submitted until all work has been completed.

GLS Region V will administer this as a pass-through project, billing the State for all eligible costs submitted by the community. Upon receipt of complete invoicing, including

documentation of expenses and a brief progress report, GLS Region V will submit those costs to the State for reimbursement, and once funds are received, GLS Region V will reimburse the community for eligible expenses up to its approved award amount.

G. Term of Agreement

This MOU becomes effective upon signature by both parties and remains in effect until all eligible reimbursements are processed or until September 30, 2026, whichever occurs first.

	22/12/2025		19/12/2025
_____ Signature City of Montrose	Date	_____ Signature GLS Region V Derek Bradshaw, Fiscal Officer	Date

Memorandum of Understanding SPARK Grant

Final Audit Report

2025-12-22

Created:	2025-12-19
By:	Kristofor Garris (kgarris@geneseecountymi.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAExUmYNVh38CXnbXqlfrMK5S9IfaYLGRF

"Memorandum of Understanding SPARK Grant" History

-  Document created by Kristofor Garris (kgarris@geneseecountymi.gov)
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-  Document emailed to Joe Karlichek (manager@cityofmontrose.us) for signature
2025-12-19 - 3:20:40 PM GMT
-  Document emailed to Derek Bradshaw (dbradshaw@geneseecountymi.gov) for signature
2025-12-19 - 3:20:40 PM GMT
-  Email viewed by Derek Bradshaw (dbradshaw@geneseecountymi.gov)
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-  Document e-signed by Derek Bradshaw (dbradshaw@geneseecountymi.gov)
Signature Date: 2025-12-19 - 3:23:57 PM GMT - Time Source: server
-  Email viewed by Joe Karlichek (manager@cityofmontrose.us)
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-  Document e-signed by Joe Karlichek (manager@cityofmontrose.us)
Signature Date: 2025-12-22 - 12:14:26 PM GMT - Time Source: server
-  Agreement completed.
2025-12-22 - 12:14:26 PM GMT





SPARK Grant Local Funding Application

Applicant Information

Community: City of Montrose		Primary Contact Person: Joe Karlichek	
Address: 139 S. Saginaw Street		Email: manager@cityofmontrose.us	
City: Montrose	State: MI	ZIP: 48457	Phone: 18106396168

Project Information

Project Title: City of Montrose Parks & Recreation Master Plan
Summary of Project Scope of Work (please attach any additional information such as maps, etc.): The City of Montrose Parks & Recreation Master Plan expires December 31, 2025. The City of Montrose administration is realigning the organization including folding in their DDA with many other civic and philanthropic organizations to improve the city's business atmosphere, reign in hospitality and deploy long-term strategies to improve the culture of the Montrose community. The city has two (2) parks and each plays a major role in the city's economic, health & vitality and school system (see attached map). The city needs proper reinvestments in its park system that meets today's needs and recently adopted city Master Plan and Housing Study. The city of Montrose needs to realign its Parks & Recreation Master Plan and requests financial assistance from the Spark Grant to fulfill its Vision.

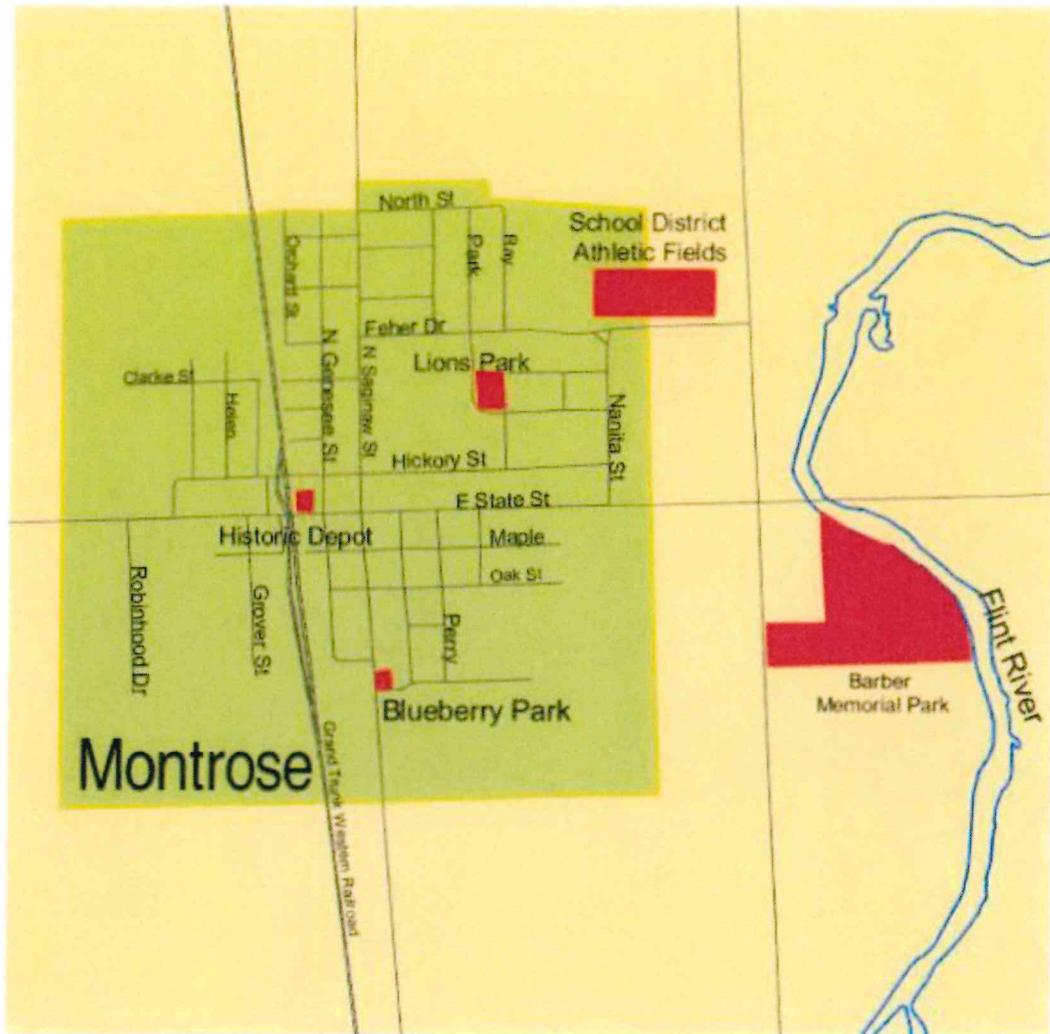
Project Costs

Amount Requested (Up to \$12,000):	\$ \$12,000.00
Total Project Cost:	\$ \$12,000.00

Authorized Representative Signature: Joe Karlichek

Questions regarding the application can be emailed to Kris Garris at kgarris@geneseecountymi.gov.

Applications are due to GLS Region V by Monday, November 17, 2025 at 5:00 PM.
Please email all applications, including attachments, to kgarris@geneseecountymi.gov



Montrose Area
Park Location Map

