



CITY OF BURTON
BURTON CITY COUNCIL MEETING
JANUARY 21, 2016
MINUTES

Council Chambers

Special Meeting

5:30 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by President Steven Heffner at 5:30 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Excused	
Duane Haskins	Vice-President	Present	
Dennis O'Keefe	Councilman	Present	
Steven Heffner	President	Present	
Ellen Ellenburg	Councilwoman	Excused	
Vaughn Smith	Councilman	Present	
Steven Hatfield	Councilman	Present	

B. STAFF PRESENT

Paula Zelenko, Mayor
Rik Hayman, Chief of Staff
Ginger Burke-Miller, Controller

Doug Bingaman, Treasurer
Racheal Boggs, Clerk's Office

C. ADMINISTRATIVE REPORT

Mayor Zelenko stated she is torn with this decision. Lowering the late fee rate from 10% to 5% sounds like a good way to help some of our residents who pay late but is it really helping our true hardship cases? Many of our low income residents pay on time because they prioritize their obligations. There are reasons why people pay late. Some people forget. Some have occasional circumstances like a death in the family, illness or they're out of town. Some people are true hardship cases. We already help with waiving late fees and payment plan options. We need to think about what the unintended consequences might be. Making the change in the percentage of the late fee means about \$100,000.00 in lost revenue. We need to think of how this might jeopardize our loans and grants. Will it cause any grief with the DWRP, SRF, SAW, bonds or any other grants? Will the state require new rate studies? Will it effect future loan and grant applications? Will the state require us to make up that revenue? Will we have to then raise the rates? Is that going to penalize those residents who pay on time? Are you going to change the ordinance back to a 10% late fee rate or are you going to subsidize from the water fund? Remember, we had subsidized from our water fund for a long time and that's the reason why we did not have the funding for a Capital Improvement Plan. In order to take care of the infrastructure needs, that's why we did the rate study in order to qualify for the DWRP loans, SRF the SAW grants, etc. These types of applications for grants and loans requires a rate study. So, we really need to think about if this is a good business decision. I don't know. I just wanted to give you some of the things that might come up so we could talk about it. If someone is truly having a hardship, we send them to the assessors office to do a poverty exemption application so they have a better income.

D. AUDIENCE PARTICIPATION

None.

E. COUNCIL ACTION

1. Discussion and possible recommendation to Burton City Council on Late Fees on Water and Sewer Bills.

Mr. O'Keefe asked for clarification on the water subsidization.

Mayor Zelenko stated prior to us getting the DWRF loan and making a case for capital improvement projects, we were actually subsidizing from our water fund.

Mr. O'Keefe stated it is unfortunate that we have people in our community that have timing problems. I know City Hall works with the residents on these issues. However, I feel 10% is too much for late fees. The Mayor brings up some valid questions that we need the answer to. We need to know if the change is going to adversely affect the City. We need to make the right decisions, technically before we can make a change on this.

Mayor Zelenko said we have been in contact with Stantec they said they didn't see a direct impact on the DWRF but the indirect impact will be on capital improvement projects; not being able to have the money in the water fund to cover those going forward.

Mr. O'Keefe said the problem he has is what dollar amount do you put in for late charges? Some years are more or less than other years.

Mr. Hayman said there are other communities in Genesee County as well as other counties that also have a 10% late fee. He also stated regarding the rate study, Ginger provides the revenue and expenditure reports that allow them to come up with a number. The last number we used in the rate study was around \$100,000.00 for sewer and about \$90,000.00 for water. This only includes late charges not shut-off/turn-on fees.

Mr. O'Keefe stated late fees are designed to motivate people to pay on time. 10% for being late is too much. We never intended it to be an income producing scenario. We are not trying to make money from this. Again, we have questions we need answered before we can make a decision.

Mayor Zelenko said she agrees that 10 % is high. The goal is not to consider the late fees as income but unfortunately when applying for grants, it is considered income.

Mr. O'Keefe stated we will have the rate study and submit 5% and see what happens. We are trying to help some people that are making the payment late. If I were on the council during this time, water and sewer would never have been subsidized by the city. If you get a drink of water, you have to pay for it. If we decrease the late charges and it is an expense for the whole city then they have to divide that by the number of users and we come up with the dollar amount we need for the payment.

Mr. Smith stated at one time we were in a structural deficit in water and sewer. We have fixed that. The biggest increases to our residents were in the first two years. We are currently in year three. Water, sewer, gas and electric are staples in life. When the 10% late fee was originated, a water and sewer bill was a fraction of what it is today. So, Detroit has increased the price of the water. As the numbers have increased, the late fees have increased proportionately. The census figures came out about a month ago. The poverty in Burton has risen from around 13% to almost 20%.

Mr. O'Keefe stated we are not going to come to a conclusion tonight because we have questions we need answered. My suggestion is for the Mayor and her staff to get these questions answered prior to the rate study to make sure we are not going to jeopardize the city in anyway in the future.

Mayor Zelenko stated we have to address the rates this summer according to the rate study that we have already done but she is unaware of when the next rate study will be.

Mr. Hayman said for certain grants, they may require a rate study. They will ask if we have made any changes since the last rate study. If you make no changes, there is a strong possibility the state may allow us to use the most recent rate study instead of paying for a new one. On the other hand, if we have made a change especially a loss of revenue source, the likelihood is they will require a new rate study.

Mayor Zelenko stated maybe we just invest in a whole new rate study.

Mr. O'Keefe asked how much it costs.

Mrs. Burke-Miller stated \$6,000.00 to \$8,000.00.

Mr. O'Keefe stated if the Mayor has already made those inquiries, we should have an answer back soon.

Mr. Smith would like any changes or verbal agreements in writing.

Mr. O'Keefe would like to get the information in a timely manner so they can make a decision.

Mr. Heffner asked how long does the administration think this will take.

Mayor Zelenko stated she is unsure.

Mr. Smith stated the general fund is expected to grow, so as the overall economic health of the city gets better what impact does that have?

Mayor Zelenko stated she will work to get these questions answered. Also, if there are other questions you have please get them to me so I can ask Dema and Mr. Binzinski.

Council discussion regarding changing the billing cycle dates.

Mr. Bingaman stated on our billing cycle, if you change the interest date past the 15th it will cause the monthly customers to receive incorrect bills.

Mr. O'Keefe stated he was only speaking about the quarterly customers. So, quarterly billing will have a 25 day period and the monthly customers will have a 15 day period.

Mr. Hatfield said the majority of our residents, by a long shot are on quarterly billing. We have 13,000 total customers and only 1,300 are monthly.

Mr. Heffner said he thinks it is a good idea. He asked Attorney Doyle her opinion of this from a legal standpoint.

Attorney Doyle stated she cannot find any way that they would be considered a protected class to be discriminated against. She doesn't really recommend doing it.

Mr. O'Keefe said he doesn't think anything will happen if we change it to 25 days.

Mr. Hatfield agreed and stated clearly this council would like to see the fees go down. We still have unanswered questions. Giving the 10 extra days on the 90 day billing is just a simple solution to help until we find those answers out.

Mayor Zelenko stated she would much rather change the fee from 10% to 5% instead of changing the billing dates and due dates as there may be unintended consequences there as well. She agrees 10% is high.

Mr. O'Keefe suggested everyone get a list together and get back together to talk about it.

Mr. Smith asked for an update at the next Council Meeting.

Mayor Zelenko agreed.

Meeting was adjourned at 6:12 PM.



Burton City Council
4303 S. Center Road
Burton, MI 48519

Meeting: 01/21/16 05:30 PM
Department: Clerk's Office
Category: Discussion
Prepared By: Teresa M. Karsney
Department Head: Teresa M. Karsney

E.1

SCHEDULED

AGENDA ITEM (ID # 2063)

DOC ID: 2063

Discussion and possible recommendation to Burton City Council on Late Fees on Water and Sewer Bills.

ATTACHMENTS:

- Late Fee Letter (PDF)

Teresa M. Karsney

From: Vaughn Smith <vaughnsmith161@hotmail.com>
Sent: Thursday, December 10, 2015 8:04 PM
To: Teresa M. Karsney
Subject: FW: Burton Utilities bill

Hi Teresa,

Here is the resident's email.

Thanks,

Vaughn Smith

Ph. 810-516-9614

Date: Tue, 24 Nov 2015 16:00:09 +0000
From: spurdue4@sbcglobal.net
To: vaughnsmith161@hotmail.com
Subject: Burton Utilities bill

Vaughn,

Looking at the increase in City of Burton's utilities increase made recently, I feel time maybe to address the late fee time period. A lot of community residents receive a once a month checks from SSA, SSI, or Pensions payments. In so if there payment doesn't fall in the time period of the City of Burton utilities bill they are always paying a late fee. And now with the increase, it becomes very difficult for them. I don't know if or what could be done is this matter , but simply extending a late fee date to a 30 day period would help.

Sandy Purdue

Attachment: Late Fee Letter (2063 : Discussion on Late Fees)