



CITY OF BURTON

BUDGET MEETING

JUNE 10, 2021

MINUTES

Council Chambers

Budget Workshop

6:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Councilman Steven Heffner at 6:00 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Steven Heffner	Councilman	Present	
Danny Wells	Councilman	Late	6:20 PM
Vaughn Smith	Councilman	Present	
Gregory Fenner	Vice President	Excused	
Deborah K Walton	Councilwoman	Present	
Christina Conley	Councilwoman	Present	

B. STAFF PRESENT

Duane Haskins, Mayor
Racheal Boggs, City Clerk
Jodi Holbrook, Controller
Charles Abbey, DPW Director/HR
Amber Abbey, Deputy DPW Director
Dave Marshke, Water Superintendent

C. AUDIENCE PARTICIPATION

Tom Lilley of Sycamore in Burton discussed water and sewer fees. Does the council believe the budgeted amounts will be sufficient to cover the operating expenses?

Mr. Smith asked the administration to address Mr. Lilley.

Mr. Abbey stated this is a moving target. We think it is sufficient. We monitor it monthly. Water is always really close. We are tracking in the black currently.

Mr. Smith asked about the pass through from the county to the city.

Mr. Abbey stated this is an annual evaluation. They evaluate our high month consumption for the previous 12 months. This is how they set every municipality that buys water from the county. Last July was our high month and that changed our REU factor by 40. This is an automatic pass through based on our ordinance.

D. BUDGET DISCUSSION

DPW Funds

- Water

Ms. Holbrook stated there is an expected increase of \$10,000 this year for tap in fees. There is also an expected increase in usage fees of \$200,000. Service charges, there is an expected increase of \$15,000. Shut offs were decreased. During projections, we were not doing shut offs so we were seeing a decrease in those fees. Because of that, this is an estimate.

Mr. Heffner asked how much is owed to the city from residents unpaid water bills? How about sewer?

Mr. Abbey stated as of a week ago, I think we were at \$45,000 that we have not been able to collect. For sewer, after 6 months, it rolls to their tax bill.

Mr. Heffner stated one of the things we can do with the COVID money we received is to give it to residents that have fallen on hard times due to the pandemic. It will help the residents and us.

Ms. Holbrook stated for investment gains and losses, there has not been anything budgeted prior because of the lack of cash in the water fund. We now have interest coming in and we added a small amount back into the budget. Overall, revenues increased from \$6,894,300 to \$7,072,800.

Mr. Martinbianco stated we need to talk about late charges for water and sewer. I recommend a resolution for a policy change to go from 10% interest rate to 5%. There are people suffering out there and we have to work on as lean a budget as we can.

Mr. Abbey stated I fully understand. You are trying to lessen the impact on people who are already behind. With the new REU rate from the county, we are covering our costs but we need to be careful. There may be a better way to relieve this.

Mr. Martinbianco stated the City of Flint is connected to the Genesee County water line. Could a rate increase from the county potentially be tied to that?

Mr. Abbey stated I don't think so. Supposedly, that is their secondary water source as mandated by EGLE.

Mr. Smith stated our interest rates on the older bonds for the 5-phase water project are slowly going down. Some are new. Have you looked at the impact on the water fund as we pay the bonds down?

Ms. Holbrook stated the payment stays the same. The interest decreases and the principal increases. The amount is the same. You will see the relief once it is paid off. Right now, you see it in depreciation expense instead of interest.

Mr. Wells asked, where is the \$1.4 million? Is there a line item for the water line we ran on Menominee?

Ms. Holbrook said, no.

Mr. Abbey stated we have been told that we will qualify for some of that money back. It may be around the first of July that we can expect it.

Mr. Wells asked if we are still sending out notices for water shut off.

Mr. Abbey stated yes, we do send shut off notices.

Ms. Holbrook stated under appropriations, we have salary increases for DPW. MERS and fringe increased. The IT allocation is not being reduced this year just like in the other funds. We are expecting a \$400,000 increase from the county for charges this year.

Mr. Martinbianco asked if this amount is speculative. This is a big number.

Mr. Abbey stated we have new developments going and that is what drove our REU up. We do have an increase in usage. We are buying the commodity from them. The other thing is that over half of it is the REU change.

Mr. Wells asked if there is any evidence the new pipeline has saved us any money.

Mr. Abbey stated I can't answer that. The county believes the rate of increases to the customers is less than it would have been under the old formulas.

Mr. Marshke stated the county likes to put their increases in fees instead of commodity. They have increased almost all of their fees. We went from 80 equivalent meters to 120. Those are fixed costs that we have no control over. It does not touch the commodity. It is a fixed increase of approximately \$18,000 per month. It hit us January 1st which is halfway through our budget. We argued the point at the county that we are at 90 equivalent meters so there should be an increment between 80 and 120. They were looking into it and we haven't heard back from them yet.

Discussion continued regarding county fees.

Ms. Holbrook stated there is a \$15,000 increase for contractual water testing. For utilities, it was discovered sewer was not paying utility costs. There is a change since printing the budget to split the cost between the two funds. The water fund will change to \$5,000 and when we get to sewer, it will also be \$5,000.

Discussion ensued regarding water testing.

Ms. Holbrook stated for interest for the Fenton Road project, there is an error. It should be \$6,563.

Mr. Martinbianco asked how many more years we have left on the Fenton Road project.

Ms. Holbrook stated it will be paid off in 2031.

Mr. Smith stated the 2022 budget had a surplus of approximately \$206,000. Our unrestricted fund balance in the water fund is \$896,623. How close are we to that?

Ms. Holbrook stated we have not booked our depreciation expense for the year which figures into the net investment and capital assets. You will see a reduction of about \$600,000 which is on track with what we projected last year. Next year, with the adjustments we are projected to have a surplus of \$183,582. The unrestricted fund balance is estimated at right around \$200,000.

Mrs. Conley asked about the \$672,000 we used from general fund to pay a bond

payment. Did we pay this back to the general fund?

Mr. Smith stated he doesn't know if he got a definitive answer about this. Does the administration have anything to add?

Mayor Haskins stated when we spoke to Plante Moran, it wasn't technically a loan so there wasn't anything with interest that we had to do. Under the circumstances, they didn't give a definitive answer. If we get to the point where we can pay it back, we are going to.

Mr. Martinbianco stated looking at the 5-year plan, we aren't going to be anywhere near there. By 2027 we are supposed to be \$1,600 in the hole, if you can project that far out. There is no way that is going to get paid back out of the water fund. Does the general fund or taxpayers eat that?

Mayor Haskins stated we can pay it with ARP money.

Mr. Smith stated that is a very good idea.

Mr. Abbey stated water has always been an expensive commodity and it keeps going up. We have to try to find creative ways to stay ahead of the water issue so we don't have to raise rates.

Discussion continued on water rates, paying the \$672,000 back to general fund, water rate study and interest rates.

- Sewer

Ms. Holbrook stated we have an increase of \$150,000 for the usage fees for projected revenue. We also have an increase of \$2,000 for inspection fees and a \$10,000 increase for estimated penalties.

Mr. Martinbianco stated in the water fund we called them late charges and in the sewer fund, we call them penalties. Why is there a difference? Would you agree that we should have some uniformity?

Ms. Holbrook stated the naming of those accounts was before my time. I think this is clear that a penalty and late charge are the same thing.

Mr. Martinbianco stated I recommend a resolution for a policy change to go from 10% interest rate to 5%, especially with sewer.

Ms. Holbrook stated for interest income, it shows a decrease and it should not. That projection should still be \$200,000. For the tap in interest, that was projected for this year and should be the only change. The estimated total revenue is \$6,539,100 with the increase of \$100,000 to the interest income line. Moving on to appropriations, we have the same format with the increases we saw in the water fund with increases to salaries, MERS, fringe benefits and IT allocation. There is a \$150,000 projected increase to our treatment expenses, a \$2,000 expected increase to our pump station expense, a \$25,375 increase to depreciation expense. This is where we will have the increase in utilities under GL account# 5090-5090-920.0000. You won't find this account because there was nothing budgeted previously. The amount is \$5,000. With this correction, the

total expenses will be \$6,164,573 with a net surplus of \$274,527.

Mr. Smith stated we are really healthy in the sewer. This isn't the case in water.

Mr. Martinbianco asked, what drives the treatment expense cost?

Mr. Abbey said, the county. It is a pass through. There are other things that go into it too, such as new builds.

Mr. Martinbianco asked if the county bills people directly for the \$1,000 on the new builds.

Mr. Abbey said, yes.

- Building Department

Ms. Holbrook stated under revenue, there is an expected increase of \$10,000 for permits and license fees and an expected increase of \$12,000 for MJ license and late fees. The excise fee is an estimate because we don't have access to their calculation at this point. We used the numbers from what we received this year. There is a \$500 expected increase in code enforcement fines and \$3,000 increase to interest income for a total of \$19,600 increase in revenue to the building fund.

Mr. Heffner asked if the marijuana money went into local streets.

Ms. Holbrook stated it comes into the building department and a transfer can be made for it. We don't know how much we will get for it.

Mayor Haskins stated this is the projection for next year, not what we have already received.

Mr. Heffner asked if we will have to make a motion next year to move it. We can't just make a motion that from now on that money goes to local streets?

Mr. Abbey stated it comes to the building fund and you will know when we get it and you can move the funds.

Mr. Heffner asked if the money from the houses that we sold goes into the building department.

Ms. Holbrook stated it goes into general fund, not the building fund.

Discussion continued regarding marijuana money.

Ms. Holbrook stated under expenditures, there is an increase for the IT allocation, an expected \$13,000 increase for contractual services, a \$1,000 increase to legal, and an \$80,000 decrease to blight elimination.

Mr. Heffner asked, why the decrease for blight?

Mr. Abbey stated this is a moving target. We are doing the same process. With how long the process takes, we probably will not hit that number. Demos and blight are two

different things. We are now using the alteration maintenance portion of the building codes that allow us to do more and require more. Also, sale value of homes are going up, so this should be better.

Mr. Heffner asked if there is money in here for the second Code Enforcer.

Ms. Holbrook said, yes.

Mr. Abbey stated the same money you put in last year would carry over. If we plan to hire an outside person, we will have to raise this number. We are trying to backfill all kinds of positions right now. We are having the same problem that everyone else is with finding qualified people to do these jobs.

Mr. Wells stated there are two residents by Fire Station #2 that have concerns about the sidewalk. Can we have these replaced?

Mr. Abbey stated we will have to look at them. We have some Act51 money that can be used for non-motorized areas such as sidewalks.

Discussion continued regarding the need for various sidewalks throughout the city, making Burton a walkable community and grants available for this.

Mr. Wells asked if the Burton Auto Glass building is scheduled for demolition.

Mr. Abbey stated the contractor has pulled permits and they are waiting for a cut and cap. It is moving forward. Also, in the building department, we have a service agreement with our Building Official, he is doing a phenomenal job. We would like to retain him for another year under the same terms.

- Related Capital Improvements (water & sewer)

Ms. Holbrook stated in the water fund, we are budgeting \$150,000 for the painting of the interior of the water tower. It will be depreciated at \$15,000 per year. It was approved and planned for this year but not completed. It will not change the fund balance. It will roll over from this year.

Further discussion regarding the water tower.

- Governmental Building needs (roofs, parking lots, etc.)

Mr. Abbey stated the rubber roof on the back half of City Hall was budgeted for twice and it wasn't done. The money for this rolled back to fund balance. I need to put that back into the budget because that part of the roof needs to be done. It has been patched for several years and it leaks. We had issues with contractors due to COVID. It was in the range of \$25,000-\$30,000.

Ms. Holbrook provided GL account 1001-2065-975.0001 for this project.

Mr. Heffner stated I missed the last budget meeting and asked Mr. Smith to discuss Plante Moran. They want to do a follow up on the specialized internal control review. This is not another audit. They want to make sure their recommendations are being implemented. There was a couple pages full of things they wrote us up for. Some were

more critical than others. The cost is \$13,000-\$15,000. I would like to put \$20,000 into the budget for this. The money was already in the budget and Plante Moran shut down, we shut down and the follow-up couldn't happen.

Mr. Abbey stated we had two of them done. The follow-up was done for the DPW but not for the financials.

Mr. Smith took a vote of the council. Council voted unanimously to budget \$20,000 for the specialized internal control review follow-up.

Mayor Haskins stated for clarification, I spoke with Eric and Pam from Plante Moran and there were only two things left to take care of. Do we need a \$13,000 contract for just two things?

Mr. Smith read the letter from Plante Moran regarding the follow-up. I don't think this should take that long. It is expensive but it wouldn't hurt. I have sent the letter to the Mayor, Controller and DPW Director.

Discussion ensued regarding the library roof and windows.

Mayor Haskins asked if we could have the budget wrapped up at the June 16th meeting. June 18th is a Friday before Father's Day weekend and some employees will be off. I also have employees who are taking time off for open houses and preparing for their kids. I don't know what will happen especially in the Clerk's Office. If it goes until the 18th, I can't guarantee we will have a Clerk here.

Council agreed to try to wrap up the budget meetings on June 16th.

Mr. Wells thanked Mr. Marshke and Mrs. Abbey for their efforts, experience and expertise. They are really looking out for the city.

Meeting was adjourned at 7:47 PM.
