CITY OF BURTON

BUDGET MEETING

MAY 19, 2020

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	Remote	
Dennis O'Keefe	Councilman	Remote	
Steven Heffner	Councilman	Remote	
Danny Wells	Councilman	Absent	
Vaughn Smith	Councilman	Present	
Gregory Fenner	Vice President	Present	
Christina Conley	Councilwoman	Present	

B. STAFF PRESENT

Duane Haskins, Mayor
Charles Abbey, DPW Director/HR
Karen Moffitt, Controller
Racheal Boggs, City Clerk
Ann Abbey, Assessor
Alice Bryce, Treasurer
Steve Phillips, IT Director
Amy Clous, Parks & Recreation Director

C. AUDIENCE PARTICIPATION

Public Comments may be sent to: publiccomment@burtonmi.gov

No audience participation.

D. BUDGET DISCUSSION

Mr. Smith provided a brief overview. He commended the Mayor and the administration for a great job on the budget. They were able to cut just short of $800,000 from last years budget. I know this was very difficult to do. These are times that haven't occurred in over 100 years. We do not know what is going to happen financially. The feds and the state are supposed to come through with funding but I am under the mindset that until we have the money, it doesn't exist. Including ACT 51 money, we have about $6.5 million, the budget encompasses 90 people. We also have 37 police officers partially funded by a grant that is funded at 70%. We are going to need to revisit this in January to see what's beginning to happen with the cash flow from the feds and the state. The Mayor has raised our General Fund Balance by $1.9 million to $2.6 million so we have some liquidity. I am asking the administration that when we start getting those payments in from the state shared revenue and property taxes, you keep us apprised on how much of a difference it is compared to what was budgeted pre-COVID19. I do believe short term through July, our residents will be covered. The extra $600 from unemployment will last until then. In the short term, there shouldn't be a drop in the amount of taxes paid by residents but I do see a shortfall with our businesses. Nationally, it was projected that one out of every seven small businesses might not make it through the pandemic. I believe there will be a drop in the amount we receive from this. We are not as far along on the financial side as we are on the medical side.

Mayor Haskins stated my staff and I have worked diligently on the budget. We tried to accomplish a few different things. The biggest was trying to save money and build the General Fund. I asked every staff member to roll up their sleeves and find savings. We did that. None of us expected the COVID-19 virus to affect us as bad as it has. No one could have predicted it and we have never dealt with this before. Thank you to everyone involved in the budget process from the administration to the employees, everyone has put forth the effort to better the city financially. The administration has done a great job of meeting the tough demands that I asked for. Hopefully, the budget works for everyone and we can get through it as pain free as possible. The outcome from the virus, only time will tell. With the resilience of the council and trying to do the best we can for the residents, I believe in my heart it will be tough but we can prevail and the administration and myself will do anything possible for that to happen. My only request tonight is that we begin with Parks & Recreation so the Director, Amy Clous who is pregnant can leave as soon as possible.

Council discussion regarding the technical difficulties we are experiencing with using the camera/sound system at City Hall with Webex.

Ms. Moffitt presented an Administrative Overview of Proposed Budget. I would like to review some of the assumptions and items we used in preparing the budget:

- The budget assumes a General Fund Tax Levy of 4 mills.
- 90 full time positions, part time positions: Collection Clerk (1), Senior Center Bus Driver (1) and Firefighters (42), 37 Police Officers, Four DPW positions have been restructured as well as the Human Resources Director position for a savings of more than $130,000. Chief of Staff position was eliminated for a savings of $108,000. All shared salaries for indirect positions that provide service to other departments have been reviewed and updated.
- We do not know the effect of COVID-19 on our revenue. At the Revenue Consensus Meeting last week and based on the revised figures for our revenue sharing, they are currently projecting $222,000 less in funds than what we have budgeted for next year. We will need to make this adjustment. ACT 51 will also be reduced. Revised figures will be coming out later.
- Salaries have been budgeted according to bargaining agreements.
- Retirement expenditures have been budgeted at the rate provided by MERS.
- OPEB expenditures have been budgeted with an increase of $300,000 that is spread to departments based on the salaries in each department.
- The budget includes the $1 million additional MERS payment that we have approved each year.
- Healthcare is budgeted at a 10% increase.
- IT allocation is reduced by a total of $100,000
- Overall, the Mayor asked each department head to reduce their budget by 5-15%.
- There may be changes due to GASB 84. This may affect our races and Senior Center activities and we can adjust those figures based on their estimates.
- General Fund 5-year forecast summary: We are budgeting General Fund Revenue of $6,572,800, expenditures of $5,778,800 and a surplus of $794,000. Adding that to our estimated beginning fund balance of $1,843,634, we are projected to end the year with a fund balance of $2,637,634. Looking at the 5-year projection, assuming a 1.5% tax revenue

increase, 1.25% increase in revenue sharing, 10% increase in health insurance costs, 2% increase in supplies, utilities and insurance, no retirement rate increase and the $1 million additional MERS payment you can see we are projecting to have a surplus of $240,000-$310,000 in the next five years.

Parks & Recreation

- Minor changes have been made to reduce the budget: a minor change to the IT allocation due to the $100,000 being spread among departments, postage, operating expenditures, contractual services, Memorial Day parade, Park & Rec Events, Trick or Treat Trail and Pizza with Santa have all been reduced.
- On the Parks & Rec tab on page 16, operating expenditures and salaries permanent were reduced. There were less teams last year so we made the adjustment. Anything unused (due to COVID-19) will stay in the fund.
- On page 17, Veteran's Memorial Park Fund, the only increase there is $100 for interest income. We have a little budgeted for donations and some maintenance and contractual costs.
- On page 18, Cancer Survivor's Park, we are not budgeting anything here. The fund balance of $1,354 will continue to carry forward.
- On page 19, Memorial Day Race Fund, we reduced the revenue and expense slightly based on last year's participation and what we are estimating for this year's participation.
- On page 20, The Veteran's Honor Run we lowered slightly based on what we anticipate. Proceeds typically cover our costs here.
- On page 21, the Burton Mile, we have eliminated so there is nothing to budget.
- On page 22, the Burton Race Series Fund, we set up a donation line item to help support other races and $2,500 was moved there.

Ms. Moffitt asked the council if there are any questions regarding the Parks & Recreation Budget.

Mr. Matinbianco asked if the Memorial Day Race will be done virtually this year.

Mr. Smith stated the Memorial Day 5K will be a virtual race. You can register online. There is about $1,800 in the Burton Mile Fund and because this race has been cancelled, we would like to move that to the Memorial Day 5K fund.

Council decided unanimously to transfer $1,800 from the Burton Mile Fund to the Memorial Day 5K Fund.

Mr. Smith stated Hurley donates $2,500 for the Burton Race Series medals.

Mr. Heffner stated Council Lady Conley would like wood chips to clean-up some of the grounds. Where will that come from?

Ms. Moffitt stated we budgeted for that this year under maintenance of grounds. The money is there.

Mrs. Conley stated she would like to plant flowers and put chips down. Also, the flags need to be replaced.

Mr. Abbey stated there are some chips left at the DPW if you need it.

Mayor Haskins stated he will help Mrs. Conley and we have a plan to have the flags replaced.

General Fund Revenues

- Tax revenue will need to be adjusted. We need to add $90,000 to that line item which will bring it up to $2,522,700. There will be similar adjustments to Police and Fire. The budget was projected based on preliminary tax figures. Now that we have had our Board of Review, we have figures that are more accurate. We do have a millage rollback and this adjustment reflects that.
- Permits and licenses increased by $3,000 to $10,000 based on prior collections.
- Lease fees increased to $44,500 also based on what we are collecting.
- Local community stabilization share appropriation is our reimbursement from the state for personal property taxes. We increased the budget based on what we have collected this year to $63,400.
- State shared revenue will need to be decreased by $221,900 for a new figure of $2,646,700. This is reflecting the May revenue sharing and it could be adjusted again in August.
- Administrative fees increased slightly up to $307,000 because it is a percentage of our tax roll.
- Interest income increased up to $26,000 due to the increased fund balance.
- Transfer from building department is $267,600. When we sold properties in previous years, the auditors stated this should have gone to the general fund. Moving the money into the general fund is less restrictive.
- Tree Lighting: we left the $2,000 in there from the DDA.
- Other revenue we decreased to $10,000 based on collections in the previous year.
- Revised revenue figure is $6,440,900.

General Fund Expenditures

- City Council: fringe benefits increased because of a new council member adding to the health insurance, IT allocation went down because of the revised allocation, we removed the $5,000 for Census, $50,000 removed for the specialized internal control review, and we reduced the insurance slightly based on the allocation method.
- Mayor’s Department: salary was increased based on cost of living, salaries permanent was adjusted based on reallocations. The Receptionist position was moved to City Hall, fringe benefits were reduced because of the retro-pay for the previous Mayor and $50,400 was removed for the vehicle.

Mr. O’Keefe asked if the cost of living is 2%. The Mayor's salary only went up $800.

Ms. Moffitt stated it is 1.8%.

Mr. Heffner stated the Mayor did a great job cutting the Mayor’s Office budget from $423,000 to $251,000.

Mr. O’Keefe agreed.

- Election Department: The Election Department is an exception. We increased several line items because we are projecting additional elections. Salaries permanent reduced due to a new staff member at a lower salary rate, overtime was decreased, line items that increased are fees per diem, contractual services, and supplies, and we removed the $24,000 for election equipment, which was for the new computers purchased last year.

Mr. Martinbianco asked, what constitutes contractual service?

Ms. Moffitt stated ballot charts and test decks for election equipment testing and election programming by the county are examples of items paid for with this line item.

- Assessor Department: Salaries permanent decreased because there was once four position and we are budgeting for three positions, fringe benefits went up because the previous Assessor did not receive benefits, IT allocation, training and auto repair were all reduced.
- Clerk Department: Salaries permanent reduced due to a new staff member at a lower salary rate, fringes went up slightly because the previous Clerk did not use health insurance. IT allocation, membership dues, operating expenditures and office supplies went down.
- Controller: Controller salary, salaries permanent, retirement and fringe benefits allocation changed so those line items increased. IT allocation, training, membership dues and contractual service were reduced.
- Treasurer: Salaries, retirement and fringe benefits increased because of the allocation, postage, contractual services and IT allocation all decreased and membership & dues increased slightly.
- City Hall: Salaries permanent, retirement and fringe benefit increased due the Receptionist position being reallocated. Building insurance increased slightly due to an appraisal that was done which increased insurance rates. We left the $1,000,000 payment for MERS, City Hall expansion/lease debt has been reduced to the actual principal and interest payment of $127,400.

Mr. Martinbianco asked if the insurance rate doubled.

Ms. Moffitt said, no. There was also a change in the allocation that included building insurance, vehicle insurance, liability insurance, etc. This had not been updated in several years. More costs were allocated to City Hall. I will bring more specifics about this tomorrow.

- Public service: The only change here was the Gilkey Creek interest payment and this was adjusted based on our debt schedule.
- Planning: There have been staff consolidations so that increased the salary and benefits. IT allocation was not being charged to Planning so that was added, Contractual service is for the Retail Coach and that was updated to reflect the new contract. Legal was decreased based on previous spending and training was increased due to marijuana laws.
- Zoning: Similar to Planning, salary and benefits were adjusted due to the staff consolidation, IT allocation was added and training was increased due to marijuana laws.

Mr. O'Keefe asked when we will receive an updated report on the Retail Coach?

Mayor Haskins stated they have been steadily working and talking to interested entities. The COVID-19 pandemic stalled things.

Mr. O'Keefe asked when we signed the contract.

Mayor Haskins stated he thought it was in October.

Mr. O'Keefe stated he would have expected them to check in with us by now.

Mr. Haskins stated I provided a report in March but then the pandemic put a halt to it.

Mr. Martinbianco asked how much money we still owe them.

Ms. Moffitt stated the contract was for one year and it was $40,000.

Mr. Martinbianco asked why we put more money in that line.

Mayor Haskins stated we kept the money there for council to decide if they would like to continue with the company.

- Capital Outlay: We had $60,000 for resurfacing of the DPW parking lot and took it out for next year.

Mr. Martinbianco asked for clarification.

Mr. Abbey stated we are at a standstill because of the underground storage tanks. We do not want to pave the lot before we figure that out.

- Transfers Out: The transfer to the water fund of $672,000 was taken out because we increased the rates.

Mr. Martinbianco asked, at what point is the water fund going to be able to reimburse the general fund for the transfer?

Ms. Moffitt stated it was not a loan. It was a transfer.

Mr. Abbey stated our goal is to put the money back when we start replenishing the water fund. We have to wait and see. People are still paying their bills and if that continues, we will be in good shape.

Mr. Martinibanco asked if April's payment was interest only.

Ms. Moffitt said that is correct.

Mr. O'Keefe stated the state owes us $1,000,000 and if we ever see it, we could put it toward that.

- Total expenditures are $5,778,800. Subtracting that from the revised revenue figure I gave you, we would have an excess of revenue over expenditures of $662,100. Adding that to our estimated beginning fund balance of $1,843,634, we would end the year with $2,505,734.

Ms. Moffit stated on page 54 is our fund balance computation. It is the average of the last three years of audited expenditures multiplied by 20%. We use this as our fund balance floor. We are at $712,500 so we are exceeding that.

Council went to recess at 7:35 PM and returned at 7:40 PM.

- IT Department: This is an internal service fund meaning it is a holding fund. You hold the costs and charge them out which brings in revenue to cover the costs in that fund. Under revenue, you can see tech charges for each department. This is determined based on the number of computers located in each department. We reduced the revenue by $100,000 so that takes it out of the fund balance. We are spreading the savings back to the departments. It is a one-time reduction for this year only. Under expenditures, several line items were reduced based on the Mayor's recommendation including office supplies and contractual services.

Mr. Martinbianco asked about the dramatic drop in IT for the Fire Department.

Ms. Moffitt stated currently, the Fire Department has more computers than they need. With the next round of replenishment, they are reducing the number of computers.

- Special Assessment Districts (SAD): This is Amy Street paving. The current tax collection figure has been reduced down to what we expect to collect. People have paid their assessments off early so we are collecting less. Funds are collected here and then transferred out into the capital improvement fund. This helps pay the principal and interest on the loan.
- Self Insurance: This is also an internal service fund. We are self-insured and pay the costs from this fund. It is pretty much a wash. If costs are down, we allocate it back to the departments and vice versa. There is a 10% increase.

Mr. Martinbianco stated these are large numbers. Are these liquid assets?

Ms. Moffitt stated this fund is the very last fund on the page so the grand total of all of our funds prints on this page. This is just a paper balance of all funds.

Mr. O'Keefe would like the grand totals to appear on a different page in the future. This is confusing and needs to be on a different sheet.

Ms. Moffitt stated I could run the report without the totals.

Mr. Martinbianco asked who does our health benefits. Do they set the amount or do the union contracts?

Mr. Abbey stated they bid our insurances and gave us different options with other carriers. We evaluated it to make sure we were getting the best price. We saved $75,000. This includes costs for retirees also.

Mr. Martinbianco stated he had trouble getting the password to work for the meeting. He asked the Clerk to continue to send the reminder link. He thanked the Clerk for a great job.

Ms. Boggs said, Thank you. I will do that.

Mr. Smith stated the Mayor has asked that we reschedule the budget meeting scheduled for Thursday, May 21, 2020 to Tuesday, May 26, 2020 at 6:00 PM.

The council agreed to reschedule the budget meeting.

Ms. Boggs stated she will resend and publish the agenda and meeting information.

Meeting was adjourned at 8:00 PM.

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