



# CITY OF BURTON

## BUDGET MEETING

MAY 26, 2020

## MINUTES

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**Council Chambers**

**Budget Workshop**

**6:00 PM**

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**4303 S. CENTER ROAD  
BURTON, MI 48519**

**This meeting was opened by President 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	President	Remote	
Danny Wells	Councilman	Remote	
Vaughn Smith	Councilman	Present	
Gregory Fenner	Vice President	Present	
Christina Conley	Councilwoman	Present	

### B. STAFF PRESENT

Duane Haskins, Mayor  
Racheal Boggs, City Clerk  
Karen Moffitt, Controller  
Steve Phillips, IT Director  
Charles Abbey, DPW Director/HR  
Amber Abbey, Deputy DPW Director  
Chris Howser, Road Superintendent

### C. AUDIENCE PARTICIPATION

Public comment may be sent to: [publiccomment@burtonmi.gov](mailto:publiccomment@burtonmi.gov)

No audience participation.

### D. BUDGET DISCUSSION

- Major Roads

Ms. Moffitt stated we have an excess of revenue over expenditures of \$135,000. Projecting out over the next five years, we are anticipating a balanced budget anywhere from \$235,000 to \$321,000 in revenue over expenditures. Our beginning fund balance is projected to be about \$2.5 million. Therefore, adding the \$135,000 to that, we are projecting to end the year with \$2.6 million. We are using an Act 51 increase of 1.25% annually in this projection. As discussed in previous meetings, that will probably change with Covid-19 and a reduction in funding from the state. It is good that we have a fund balance in case our revenue is reduced, we will have savings to cover the shortfall. The federally funded road project revenue and expense has been put into these figures based in the TIP application. Health insurance cost increase is projected at 10% annually. There is a 2% increase in supplies, utilities, property and liability insurance. No retirement rate increase or decrease. The principal and interest payments on our debt

are per the debt schedule. We included \$700,000 for road preservation, which is what we have in our current budget. There are not any major changes to the budget. Based on the state estimate for our Act 51 revenue, as of April 29, 2020, our budget is okay. They are projecting we will receive \$4.4 million for next year. We budgeted the same as this year which is \$3.9 million. This may change after the May Revenue Conference. We budgeted \$3,121,000. We increased the State of Michigan road maintenance fee revenue to \$83,000 based on collections in the prior year. Federal state construction revenue is the money we anticipate as reimbursement from the state for our road projects. This is 80% of the preliminary engineering and construction engineering costs. We increased the interest income to \$25,000 because we have a fund balance and we are earning more interest. We added money into the miscellaneous line because we have had some miscellaneous revenue coming in. Total revenue we are projecting is \$3,664,400. Under expenditures, construction are all of the road projects that are in the TIP plan. We have a local match of approximately 20% so this represents our 20% of the construction costs. It's 100% of the PE and CE cost for each of our projects: Southbound Grand Traverse, Saginaw Street, Maple to Judd and Judd to Bristol, Belsay Road, Davison to Potter and two portions of Maple Avenue, Sandalwood to Saginaw and Fenton to Sandalwood. For all departments, we moved the Supervisor salaries and combined it with the permanent salaries. We did not see a need to have it separate. With our new Kronos system and having to identify the departments laborers work in, and the different codes they have to use, it is less confusing this way for payroll purposes. If you want them broken back out, we can do that. It is just simpler this way. With the Mayor's recommendation to make a 5% reduction, they tried to make reductions to some of the line items but knowing the council's focus on fixing roads, we tried not to reduce it too much. We tried to keep costs in the budget that we thought were a high priority. Retirement figures have all been updated based on rates from MERS. Fringe benefits increased the 10% for health insurance. Patch was reduced slightly. We left the \$700,000 in for road preservation. We reduced some of the project fusion line items because that project is wrapping up. There is a little more money focused in the drainage area for projects we will need to take on. For the salaries that get budgeted in each of these departments, I do a 3-year average report to determine how much time they may spend in each of these areas. We left \$18,000 for traffic signs for new barrels and barricades. We decreased the contractual service line item under traffic signs. We were on a 3-year project with the county to update signals. There is only one more to do at Center Road and Leith Street so, the project is wrapping up. There is one change in the administration area, it is just a transfer of money. The Deputy DPW Director allocation was under shared salaries and we have really been charging it to administrative salaries. We need to add \$5,100 to administration and subtract \$5,100 from shared salaries. We paid off the Center Road loan and we no longer have principal and interest for that line item so it has been reduced. The interest loan from sewer has been updated to the actual interest payment per the debt schedule. The training line item was increased because of new staff. Total expenditures budgeted are \$3,529,400. We are estimating an excess of revenue over expenditures of \$135,000, adding that to the beginning fund balance of \$2,514,847 we would end the year with an estimated fund balance of \$2,649,847. The only capital item we have is a solar stop sign request of \$30,000 for the intersection at Vassar and Atherton Road.

Mr. O'Keefe stated he is disappointed that the Governor has not fixed the roads. We have a very weak year in regards to the roads.

Mr. Martinbianco asked if there was going to be any kind of transfer back to local streets for maintenance that needs to be done. We have special assessment districts that are in bad shape.

Mr. Abbey stated we do have a plan. You wanted us to not only, focus on the major

projects but also, to try to maintain the existing roads and buy some life. We did do some things on local streets as an experiment. They are different because they are paved via different methods over the years. The \$700,000 was to target some of the areas that already paid special assessments and go from there. Each road has a pacer rating. It is how we fix them. Some need more than just a little attention; they have outlived their life expectancy. We will need some guidance from the council.

Mr. Martinbianco stated in major streets like Camden Avenue between Hemphill and Bristol, the part that the water fund fixed is great. The west side of that is a travesty between Hemphill and Carman. On the local street side, you have Davenport and Judd Road.

Mr. Abbey stated we looked at this at one time. It needs more than just a little milling. We have been kicking around ideas and different approaches. Obviously, there is not enough money to do them all. We have to deal with the worst ones first.

Mr. O'Keefe asked if any of these thoughts have been put on paper yet.

Mr. Abbey stated we have a plan but it is difficult. Take Jimbo Drive as an example, the road is horrible. The assessment came in so high; I think it was around \$1 million. On the other hand, we cannot do nothing and let it completely immobilize. Last year's numbers change from year to year and we don't know what kind of bids we will be getting with companies being shut down but our plan is to attack the worst areas first.

Mr. O'Keefe would like Mr. Abbey to share this plan with the council.

Mr. Heffner stated we should have a workshop on this in the near future. I do not think \$20,000 is going to touch some of the roads.

Mr. Abbey said, I would agree. In my neighborhood, we did some preliminary numbers and had companies come out for estimates and to see about taking a petition around to try to get an assessment district created. When we got done and start putting engineering and everything on it, the consensus was that if it was reasonable, they may be interested in doing it but when the cost gets up there, you have to decide if it's still reasonable. It gets pretty pricey, pretty quick.

Mr. Heffner stated in this city, we will never be able to afford to do them all unless we do what you just suggested. Have the people take a petition around and decide to fix their own street when they are ready to do it.

Mr. Abbey stated by law, we still have to do certain things. Our first priority has to be the health and welfare of the community and safe roads are a mandate, not an option. We have to fix things to a reasonable level.

Mr. O'Keefe stated at the workshop, we also need to have a discussion on gravel roads. We pay a huge amount of money to maintain these roads and some of them, because of renters living on the block will never get enough signatures.

Mr. Heffner said, I totally agree.

Mr. Martinbianco asked if the winter maintenance figure of \$303,800 is accurate. We did not have a bad winter.

Ms. Moffitt stated that affects the beginning fund balance roll over so we project what we are budgeting. If you change it, it changes the beginning fund balance. As of May 18,

2020 we had spent \$200,904 but I am not sure if that includes everything. February and March may not be reflected here.

- Local Roads

In the 5-year forecast, we are projecting an excess of expenditures over revenue of \$120,200 for 2021. We are estimating we will end this year with a fund balance of \$1,310,405 which will be the beginning fund balance for next year. Subtracting the \$120,200, we will end next year with \$1,190,205. Mr. Martinbianco asked the question about funds for local streets. We have a million dollars in our fund balance. Three years ago, we were transferring 20% of our ACT 51 money from major streets to local streets if you remember. We had a large fund balance and had more of a need in major streets so we stopped making that transfer. Based on whatever is decided at our road evaluation meeting, we can always reinstate that transfer or use some of this fund balance if it is needed in the local streets area. We have a stable budget in local streets. We have basically, the same projections as we have with all the other funds with the exception of the road preservation account. We increased this account from \$75,000 to \$90,000. This is what we are projecting for the next several years. As you can see, we are over spending slightly and using up some of the fund balance. This does not reflect any reduction in revenue from the state due to COVID. Just like major streets, we rolled over the revenue from the current year to next year. As of right now, based on the figures provided from the state, we are okay but, that may change. We increased the right of way permit fees slightly based on previous collections. We kept the \$30,000 transfer from general fund for the difference in the match for administrative costs. Like major streets, we have transferred supervision salaries into salaries permanent. Retirement rates were increased based on MERS information. Health insurance increased to 10%. Reductions were made in chloride and operating expenditures. We added a little to drainage because we are focusing on that area next year. Deputy DPW Director salary was moved so we need to add \$3,400 under administration and subtract it from shared salaries. We added a little more for training. The IT allocation went down. We are no longer paying on some of our special assessments so under contingency we had budgeted \$56,500. Those funds are no longer needed so that has been reduced. We are budgeting total expenditures of \$1,055,500 with over spending of \$120,200. Subtracting that from the beginning fund balance, we are ending with a fund balance of \$1.1 million.

- Motor Pool

In the 5-year forecast, we are budgeting an excess of expenditures over revenue of \$113,800. We have a fund balance of \$1,420,881. We project to end the year with a fund balance of \$1,307,081 for 2021. Motor Pool is an internal service fund. Like our enterprise funds, water and sewer, we keep track of our capital assets and depreciate assets so there is a portion of the fund balance that is considered our net investment and capital assets. I have listed that on the forecast for every year so we can see what the figure is. It will need to be subtracted from the year-end fund balance to get our unrestricted fund balance. We are still positive in motor pool. If you look at the surplus/deficit line, you will see that it is improving every year because we are paying off our vehicle loans. The interest expense is going down and so is the depreciation. The motor pool operates as an internal service fund meaning they incur the cost into the fund and they are spread to the other funds based on vehicles that are used. Motor pool buys the vehicles and when another department uses the vehicle, we charge them equipment rental using state guidelines. It is reflected as revenue coming into the fund. The budget for next year is pretty similar to this year. The revenue is what we anticipate to come in either from inventory sales or equipment rental from all the departments that

use the vehicles. The exception is police and fire who buy their own vehicles. When we work on those vehicles, it is reflected as vehicle maintenance and repair revenue in the fund. The revenue is charges from other departments for our services in motor pool. We are projecting revenue of \$1,131,000. For expenses, we moved supervisor salaries into salaries permanent and updated the shared salaries slightly based on the new allocations. We increased the MERS rate and health insurance. IT allocation was reduced slightly because of the sharing of the fund balance. Insurance cost went down slightly because of the new allocation method. Equipment repair was reduced based on previous spending. We have been searching for cost savings with our parts from vendors so we were able to decrease the budget there. Depreciation expense has been reduced as vehicles depreciate. Lease expense was reduced based on actual costs and the debt schedules. Total expenses are \$1,244,800. We are expected to over spend by \$113,800. Subtracting that from the beginning fund balance, we expect to end the year with \$1.3 million. We do not have anything as far as a request for next year but in the 5-year forecast on the capital asset tab, the following year, there are several items including a gasoline storage tank at DPW, dump trucks and a mini excavator. The following two years, some pick-up trucks and more dump trucks. This is a planning tool for the future.

Mr. Martinbianco asked for a breakdown of the proposed fund balance of the \$1.3 million. How much of that is cash? How much is tied up in assets?

Ms. Moffitt stated that is broken out on the 5-year forecast. For next year, about \$44,000 is unrestricted because we still have \$1.2 million invested in our capital assets. In the forecast, it grows each year because we are paying off our debt.

- Rubbish

At the time we prepared the budget, we were in the process of a bid so I included a 3% increase in revenue and a 3% increase in expenses because that was the average of what we have been receiving each year with the old contract. Rubbish fee revenue was increased to \$1,509,500. This is what we charge our community for waste collection. Interest income increased because of the fund balance. Projected revenue is \$1,514,200. Under expenses, the garbage collection line item is what we pay the garbage collector for the service, which is \$1,509,500. We are estimating an excess of revenue over expenditures of \$4,700. The estimated fund balance at the end of this year is \$106,659 so our estimated ending fund balance for 2021 is \$111,359.

Mr. Martinbianco asked if there were any inquiries made about our 5-year forecast before the bids were done. Did any vendors that put in a bid ask to see the 5-year forecast prior to bidding?

Ms. Boggs stated she did not receive any such requests from waste collection vendors.

Ms. Moffitt stated the 5-year forecast was completed on May 4, 2020. It is not posted to our city website. If the vendors did not request a copy from the City Clerk, then I do not think they have seen it.

Mr. O'Keefe asked if the fund balance is restricted. There is over \$100,000 in there and the residents pay this. Are there restrictions on that money?

Ms. Moffitt stated the money would have to go to reduce rates for the residents because the fund balance was built from their money coming in. I do not believe we can transfer it out but we can ask the auditors to make sure.

Mr. Smith stated tomorrow, May 27, 2020, we will discuss building department, sewer,

water and then wrap-up our budget discussions. The meeting will begin at 6:00PM.

Mr. O'Keefe asked, for the June 1, 2020 Council Meeting, we will still have the Webex option?

Mr. Heffner said, yes.

Meeting was adjourned at 6:52 PM.

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