



# CITY OF BURTON

## BUDGET MEETING

MAY 27, 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     | Remote  |         |
| Vaughn Smith     | Councilman     | Present |         |
| Gregory Fenner   | Vice President | Excused |         |
| Christina Conley | Councilwoman   | Present |         |

### B. STAFF PRESENT

Duane Haskins, Mayor  
Racheal Boggs, City Clerk  
Karen Moffitt, Controller  
Dave Marshke, Water/Sewer Superintendent  
Charles Abbey, DPW Director  
Amber Abbey, Deputy DPW Director

### C. AUDIENCE PARTICIPATION

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

No audience participation.

### D. BUDGET DISCUSSION

- Building Department

Ms. Moffitt stated looking at the revenue, we slightly increased condemned housing and site clean-up revenue based on what we anticipate collecting. Inspection fees increased. Abandoned property registration fee decreased because we sold many properties. You will see a reduction in the expense also. Code enforcement fines and erosion services were reduced. Because we have a fund balance, we increased interest income. Sale of property was reduced to zero. This used to come into the general fund and last year we made the decision to have some of this go into the building department which is where the cost actually occurred. After discussions with the auditors, they brought to our attention that we should instead, record the revenue in general fund and as the properties are foreclosed on and come to us, we need to assign a cost to them (lost property tax revenue). As we do work on those properties we are supposed to capitalize those costs. As we sell them, the revenue is recorded in the general fund and written off out of the land held for resale account. We changed how we are recording those

proceeds. Related to that is, we had about \$267,000 last year that was put into the building department. If we leave that money in the building department over time, it gets lost in the fund balance and will be harder to transfer out. Now, we know it is from the sale of the property so we are recommending we transfer it out of the building department and into the general fund because it is the least restrictive fund. We can then determine what we would like to do with that money. Under expenditures, you will see a transfer out of \$267,600 for sale of proceeds. We also decreased the miscellaneous revenue slightly. We tweaked some of the revenue items slightly based on what we anticipate to collect from current and prior year collections. Total anticipated revenue is \$320,300. Looking at the expense accounts, because of the restructuring of positions in DPW, we moved and reallocated some of the salaries. There is a little more being charged to the salaries permanent instead of the administrative line item. We made some reductions such as overtime, office supplies and operating expenditures. MERS rates were updated to reflect actual rates. The 10% increase in health insurance is reflected here. We lowered condemned housing down to \$80,000. Soil erosion services and weed cutting were both reduced. The blight elimination grant expenditures reflects our match for the county program and we are not anticipating having this next year so the match money was reduced by \$15,000. We reduced office equipment down to \$1,000 and you will see \$267,600 transfer to the general fund. Total expenditures is \$721,600. We are anticipating an excess of expenditures over revenue of \$401,300. The majority of that is the one-time transfer. We estimate a beginning fund balance of \$1,042,896, ending the year with a fund balance of \$641,596. We are required to have a building inspector and we have been contracting that service. You will see that under contractual services for \$75,000. We also budgeted for an entry level building position with the hopes of hiring someone that can be trained by the contracted person. We have not had a lot of luck hiring someone with the skill set we need for that position.

Mr. O'Keefe stated he has a concern about the building inspector/code enforcer position. The largest number of calls I receive is in regards to junk, cars, trailers and other items in yards. What do we have for code enforcement right now?

Ms. Moffitt stated we have one position currently.

Mr. Abbey stated for several years, we have only had one position. It is a monumental task for one person. Years ago, we had three Code Enforcers and it was plenty of work for them. Now, we work pretty much on a complaint basis. When we receive a complaint, there are several follow-up processes. We have to send mail-outs and administrative people we have to involve before we go to court, if it goes that far. It is a lengthy process but it is required to give people the opportunity to clean it up on their own before we go out and clean it.

Mr. O'Keefe asked, is condemned housing referring to demolition?

Mr. Abbey said, sometimes but not necessarily. It can be a lot of things but doesn't always mean it will be demolished.

Mr. O'Keefe stated there is never enough money to do what we want to do and what neighbors want. The county gets a lot of money for this and it never seems to trickle down to us. I, personally agree that having one Code Enforcer for 23 square miles is ridiculous. We have to stop being reactive and be proactive. If you had to live next door to this, it might be a much bigger problem. Why do we need \$641,000 in a fund balance account?

Mr. Abbey stated I think what you are suggesting is why don't we utilize that money and add another Code Enforcement Officer, correct?

Mr. O'Keefe said, that is what I would like to see.

Mr. Abbey stated there are a couple ways to do this. In the wintertime because of the weather, we do not do a lot of code enforcement. I think what would be better is if we hired someone at the DPW and train them to do code. In the slow months they could do winter maintenance.

Mr. O'Keefe stated my only hesitation with that would be, the Code Enforcement position would get lost. You could be short staffed in DPW and then all of a sudden, this person will have to fill-in and turn into a DPW employee rather than a Code Enforcement Officer.

Mr. Abbey stated if you wanted to, we could budget for a half time person in the summer months. Other communities are going to using retired Police Officers to do code for five months out of the year.

Mr. O'Keefe stated he disagrees about the five months. It is more like three months when there is snow on the ground. We have to get this city cleaned up. My suggestion is to hire a full time Code Enforcement Officer. Why do we need \$641,000 in that account?

Mr. Abbey stated that balance goes to many things. One is the condemned housing you just mentioned. With COVID, we have not been able to do demolitions. Very seldom do we recoup those costs. There are several houses on the proposed demo list that we will be bringing in front of the city council. We intend to do this as soon as we get up and running again.

Mr. O'Keefe asked where the demo money comes from, condemned housing?

Ms. Moffitt stated that is the line item where it is charged, yes.

Mr. O'Keefe stated that was my initial question and you have lowered that \$20,000. That does not make much sense to me. I think we are going in the wrong direction.

Mr. Abbey stated I concur. We do not know how long the COVID is going to last and when we are doing the budget this year; we have no idea the impacts or when we will be up and running again.

Mr. O'Keefe stated I disagree. Anytime you do a budget, you have to consider what you have right now. What COVID will do, what our tax revenue will do, we do not know. We will be coming back to the table this year more than any other year because things will change. We will need to have an income review so when things come in from the state and it does not hit this year's budget; we know what to do. It will be ongoing.

Mr. Abbey stated I was not talking about the revenue source. I was referring to the ability to execute those programs. Until things open up, we do not have the ability to get the contractors to do the work.

Mr. O'Keefe stated you have to put the money in there and if it happens, it happens. My point is there is a fund balance with a lot of money. One person cannot do 23 square miles. We have talked about it and talked about it and it is time to be proactive. My recommendation is a full time Code Enforcement Officer. What will this cost?

Ms. Moffitt stated probably around \$85,000.

Mr. Heffner stated he agrees 110%. We also need to put together a blight hot line similar to the one we did for potholes. For too long, we have neglected the neighborhoods of this city. We can no longer tolerate it. We need another full time Code Enforcer. We also need our Legislative Committee to work on a neighborhood preservation ordinance to create a standard that our neighborhoods are held to.

Mr. Abbey stated with enforcement, we have a mechanism we have been using for the last two years that is working. We used to only use the International Building Code. We have gone to using the Property Maintenance Code and that has given us a lot more teeth to do things as far as facades and dilapidated roofs as well as other things we have had no control over before. Again, that is just one person out there doing all of that. I agree and I am all for this idea.

Mr. Heffner stated in the short term, it is going to cost us some dollars. The payoff will be increased property values and it will make our city more attractive for businesses and residents to move here. It is long overdue. In every election, every politician talks about blight but nothing ever gets done. I commend Mr. O'Keefe for bringing this up. I support this.

Mr. Wells stated Mr. O'Keefe and I talk about this often and I get more calls about this than anybody here. I do a little more than just listen to the call though. I try to figure out what the situation is. We need another Code Enforcer. I support that 100%. I have a guy down the road from me who has had stuff all over his yard for 25 years. He is a good guy and this is how he makes his money. He receives \$18 per ton. He is doing the city a service by picking the scrap up. People put all kinds of stuff outside and they don't care where it goes as long as it is not in their yard. Maybe we need to crack down on that type of enforcement. Maybe we need to have a company on-call that just goes out to pick up steel, scrap, old cars, bed springs and mattresses. We need to sit down in a legislative meeting to have this taken care of. People call me to complain but don't want to put the family in a bad way because they like the guy. I got a call from someone complaining about him yesterday and that they were also stealing electricity from the foreclosed house next door. When I told him I had to report it, he said but then they won't have any lights. I responded, you can't have it both ways. I will be the bad guy either way, that's what I get paid to do. I'm doing my job. My point is, there's a lot more to it than just going to shut someone down that is hauling scrap. There is a bigger conversation to be had here. We need a legislative meeting so we can clean the City of Burton up.

Mr. Abbey stated I agree with you but, once we start this, we cannot be selective. Everyone is fair game and there are no exceptions.

Mr. O'Keefe stated he has a proposal for a change to the building department; \$85,000 for one Code Enforcement Officer funded by the fund balance.

Mr. Smith asked each Council Member if they agree to this with the following result: Mr. O'Keefe: yes. Mr. Smith: yes. Mrs. Conley: yes. Mr. Heffner: yes. Mr. Martinbianco: yes. Mr. Wells: yes. Mr. Fenner: absent.

Mr. Martinbianco stated he would like to make sure that the allocations are proper with the salary and benefits.

Mr. Abbey stated the \$85,000 is for an entry level employee and then it will escalate year after year with the pay scale in our union contracts. This will probably cover year one, just so you know.

Mr. Heffner stated he doesn't think \$80,000 is enough for condemned housing. We need to increase it \$100,000 to \$180,000. This is for demolitions on blighted property.

Mr. Smith asked the administration if we have enough demolitions on blighted homes to go through \$180,000.

Mr. Abbey stated we will probably use more than that.

Mr. Smith asked each Council Member if they agree to this with the following result: Mr. O'Keefe: yes. Mr. Smith: yes. Mrs. Conley: yes. Mr. Heffner: yes. Mr. Martinbianco: yes. Mr. Wells: yes. Mr. Fenner: absent.

Mr. Wells stated there was a 5th wheel at a condemned house on Waller and McEwen that is now gone but, people are dismantling the house. Did we sell it? Did they get a permit to fix it up?

Mr. Abbey stated that house is privately owned. It is tagged. We made him move the 5th wheel. Their intent was to fix it up but they were told they had to come to the building department for permits and an evaluation by the building official. The evaluation is to see if it can be rehabilitated and to provide the owner with a list of things that need repaired. They did come in and have an inspection but have not pulled permits yet. We can put a stop work order on that.

- Sewer

Looking at the 5-year forecast, we are budgeting an excess of revenue over expenditures of \$507,400. Each year, moving forward, we are collecting revenue slightly more than expenditures but we are staying positive. We have a beginning fund balance of \$38,022,288. We are projecting to end with a fund balance of \$38,529,688. I have listed the estimated net investment in capital assets. That will need to be subtracted from the ending fund balance to get the unrestricted fund balance which more closely reflects what the cash/liquid balance is. Estimated unrestricted fund balance is \$14,723,263. As you can see, this balance will continue to go up over the next five years. The 5-year projection assumes the 10% increase in health insurance, 2% increase in supplies, utility, property and liability insurance. There is no retirement increase or decrease. The principal and interest payments on our debt are per the debt schedule. Depreciation expense is also per the debt schedule. There are no rate increases to residents. A county rate increase of 5% in 2022 is reflected in these figures.

Mr. O'Keefe stated having the hard assets and cash separated has been a very good change.

Under revenue, we are projecting tap-in fees to go down so we reduced that to \$50,000. We are not anticipating any changes to the rates so usage fees were estimated based on what he had last year at \$5.9 million. Inspection fees are expected to go up because the rate increased from \$25 to \$50 so we increased it up to \$10,000. Interest income increased to \$200,000 because of the fund balance. Interest due from major streets and Amy Street represents interest revenue coming in. We updated it according to the debt schedule. Miscellaneous revenue decreased based on what we collected in previous years. In total, we are projecting revenue of \$6,376,100. Under expenditures, administration salaries decreased slightly based on changes in DPW positions. Supervisor salaries have moved to the salaries permanent line. We have an adjustment that we need to make in shared salaries. We updated the percentages in one position in the Treasurer's Office. Figures were entered incorrectly so we will need to add money to sewer and subtract from water. For the shared salaries line item, we need to add \$9,300

bringing that line item to \$93,100. For retirement MERS retirees, we need to add \$900 bringing that figure to \$108,300. For the fringe benefit line, we need to add \$5,000 bringing that figure to \$284,200. We will have the same adjustments to water but they will be reductions when we get to that. The Mayor had asked the water and sewer departments to try to reduce 15% from their budgets so, they did that in the line items they could: office supplies, postage, operating expenditures, pipes and fitting, audit, contractual services, training, pump station expense, repairs and maintenance and miscellaneous expense. Property and liability insurance went down based on the new allocation. An increase was made in the bill printing line item due to costs going up. The treatment expense line which is what we pay the county for (commodity) we have estimated based on what we spent in 2018-19 and added a 5% increase in January and rounded up to the \$3.5 million. Special Assessment city transfers was for Burton Estates and we sold those properties so we no longer have a need for it. Depreciation expense we are estimating to be about the same. The interest on the SRF financing has been reduced to \$160,000 based on the debt schedule. Adding the adjustments that I gave you of \$15,200 to the total expense figure, our revised total expense figure is \$5,883,900. We are estimating to have an excess of revenue over expenditures of \$492,200. Adding that to the estimated beginning fund balance, we expect to end the year with a fund balance of \$38,514,488. The sewer fund does not have anything on the current capital list but on the 5-year capital asset plan, we have listed our sewer infrastructure improvements. These amounts were the maximum from the study we had done. We plan to bring you more information on this as the plan develops.

Mr. Martinbianco asked for a distinction between what we call penalties in sewer and late fees in water.

Ms. Moffitt stated they are the same.

Mr. Martinbianco asked if we charge penalties and interest to the sewer fund. Is it lumped into one line item?

Ms. Moffitt stated I believe it is all lumped into one line item.

Mr. Martinbianco asked if there is any way to pull out what the penalties and interest would be between July 1<sup>st</sup> and September 30<sup>th</sup> of this year for both water and sewer.

Mr. Abbey stated penalties and interest is about \$30,000 per month.

Mr. Martinbianco asked if we will have a shortfall during this budget.

Mr. Abbey stated so far, we have only seen a real shortfall this month. We don't know how it is going to play out yet. We are monitoring this on a regular basis. It hasn't been anything like what I anticipated.

Mr. Martinbianco asked what conversations we have had with Woodhill.

Mr. Abbey stated Woodhill has been calling to gather information from the Treasurer's Office, Water Department and the Controller.

Mr. Wells asked if we received money from the state for the pipeline, we ran over on Menominee.

Ms. Moffitt said, no.

- Water

Looking at the 5-year forecast. We use the same assumptions as the other accounts. There are no additional rate increases so this only reflects the rate increase that was approved for 2019-2020. We also assume a 2% county rate increase for next year. We are projecting a surplus of revenue over expenditures of \$438,000. We are estimating to begin the year with a fund balance of \$18,091,424. Adding the surplus to that figure, we are projecting to end the year with a fund balance of \$18,529,424. We need to subtract the net investment in capital assets from the ending fund balance to get the unrestricted fund balance. We are estimating to have a negative unrestricted fund balance at the end of next year of \$665,842. This is an improvement. If you look forward in the projection, we are expecting to have revenue over expenses of about \$300,000 each year. The unrestricted fund balance is improving each year.

Mr. O'Keefe stated he spoke with Tim Sneller about the \$1 million we are supposed to receive from the state. Have you heard anything further? Is there anyone else in Lansing we should be speaking with?

Mayor Haskins stated Mr. Sneller assures him we are getting it but we have not received a check yet. I have tried every avenue I can. We were going to receive appropriations of \$200,000 but when the pandemic hit, they pulled back the appropriation budget to use it for the pandemic.

Ms. Moffitt stated looking at the water budget, we reduced city tap-in fees because of the reduction in new builds. We increased the front foot fee revenue slightly based on previous year and current year collections. For usage fees, with the new fee schedule we are working on, we are estimating a conservative figure of adding \$500,000 so we added that to what we collected last year. We are budgeting \$6.4 million for next year. Services charges went up from \$25 to \$50 so we increased revenue there up to \$80,000. Also, the water turn on/shut off revenue went up from \$40 to \$85 so we increased that up to \$70,000. Again, we may need to do some budget amendments based on what we have waived due to the Coronavirus. Late charges, we left the same. Interest income, we took out because the cash balance is pretty flat right now. We took out the transfer from general fund because we hope that we will not need these funds next year due to rate increases. Making those adjustments, we are budgeting revenue of \$6,894,300 for 2021. Looking at the expenses, again, supervision salaries were moved to salaries permanent. We need to make the similar adjustment that we made to sewer. We need to subtract \$9,300 bringing that line item to \$62,600. For retirement MERS retirees, we need to subtract \$900 bringing that figure to \$81,300. For the fringe benefit line, we need to subtract \$5,000 bringing that figure to \$228,200. Shared salaries went down slightly because of the new allocations. We also decreased overtime. Like sewer, the Mayor asked water to cut, if they could, 15% out of each line item. Some of the line items that we decreased are office supplies, postage, repairs and maintenance, pipe and fitting, audit, legal and training. We increased billing charges because we contract for that and that went up. The charges for water commodity, which is what we pay the county, has been budgeted at what we paid last year plus the 2% increase beginning midyear in January. We have a budget of \$4.1 million there. We added funds to contractual water testing because of extensive EPA testing that will be required next year. Insurance went down slightly due to the new allocation. Equipment rental was reduced. Special assessments that we were paying on Burton Estates were paid off so that was taken out for a savings of \$11,000. Depreciation expense of \$675,000 and is based on the current schedule. All the interest figures on our DWRF loans have been adjusted according to the current debt schedules. They went down for the most part except for DWRF 5, which has not been finalized yet. We paid off the 2011 revenue refunding bond so that interest and bond payment administration fee has been taken out of the budget. In total, with the adjustment I gave you, subtracting the \$15,200, our

revised expenditure figure is \$6,441,100. We are estimating revenue over expenditures of \$453,200. We are estimating a beginning fund balance of \$ 18,091,424. Adding the revenue to that, we should end with a fund balance of \$18,544,624. There is an item on the capital request list for painting of the interior of the water tower. It needs to be painted to extend the useful life of the tower. It has been 20 years since it was painted. The estimated cost is \$150,000. This is an enterprise fund and is capitalized and expensed over its useful life. We are estimating 10 years. This is an increase in our depreciation expense of \$15,000 each year.

Mr. Heffner stated it looks to me like the water tower is just dirty.

Ms. Moffitt stated this is for the interior.

Mr. Abbey stated it is not really a painting but an epoxy coating that has to be every so-many years to preserve the inside for the water quality.

Mr. Heffner stated Councilman Martinbianco and I met with Dave Marshke a few years back and there was a program we could have participated in for a few dollars a year to have this done.

Mr. Martinbianco stated I remember the conversation but what I was more concerned about is that I do not think it has been 20 years since this was done last.

Mr. Abbey stated we had it inspected. At the last inspection, the coating was still holding up. At that time, we were told it needed to be done within the next few years. With drinking water, we are required to have this done for water quality.

- Wrap-up

Ms. Moffitt asked the council if they would like to discuss the capital asset requests.

Mr. Smith said, yes. We will start with the building to store equipment with an estimated cost of \$350,000, life of 20 years and estimated annual depreciation of \$17,500. I am in support of this. I have done a lot of research on this. The useful life of the equipment as well as the resale value is enhanced by having a storage building. Having our equipment out of the elements will also help with useful life of electrical, fluids and rubber. We were paying hundreds of thousands of dollars for equipment in the DPW just over the next few years. To me, it is a wise move to take care of our investments.

Mr. Heffner stated with Covid19 and having no idea where our revenue will be, we will be foolish to spend this money on something the city does not need. The money will be a lot better off sitting in our general fund. I am a solid no on this.

Mr. O'Keefe stated he is a yes vote for this.

Mr. Martinbianco stated he is a no vote. There are too many unknowns at this time. We can look at it at a future date.

Mr. Wells stated he was all for it last year but with Covid everything is unknown. If I knew the state or feds were going to help us out, I would be all for it. It is a great idea. I cannot obligate city funds for it right now.

Mr. Smith stated even without Mr. Fenner's vote, we still have four against it so it is not going to happen this year. We have already agreed on the tornado siren with Chief

Wilkinson so I think that was it.

Mr. Heffner stated Mr. O'Keefe brought up hazard pay. I think we should add hazard pay in case we have a second round of Covid19.

Mr. Martinbianco stated I do not think we should do that right now. With contract negotiations coming up, it could be included in their demands. We should wait until a later time.

Mr. O'Keefe stated he could see where Mr. Martinbianco is coming from. If something happens, we can pull that money from somewhere. We do need to keep this on the front burner. He asked Mr. Abbey, what is the cost of a red 4-way blinking light like what they have in Davison Township at Irish and Bristol?

Mr. Abbey stated I do not know that number for sure. I will have to get that for you.

Mr. O'Keefe stated I will support this but I do not know if we need the more expensive solar light. \$30,000 is quite a bit of money. Maybe this is something we need to look at.

Mr. Smith asked who is for the water tower painting. The following council members indicated yes: Mr. Smith, Mr. Martinbianco, Mr. O'Keefe, Mrs. Conley, Mr. Wells, and Mr. Heffner.

Mr. Smith asked who is for the solar stop sign. The following council members indicated yes: Mr. Smith, Mr. Martinbianco, Mr. O'Keefe, Mrs. Conley, Mr. Wells, and Mr. Heffner.

Mr. Smith asked who is for the tornado siren. The following council members indicated yes: Mr. Smith, Mr. Martinbianco, Mr. O'Keefe, Mrs. Conley, Mr. Wells, and Mr. Heffner.

Mr. O'Keefe asked if we will have the agenda tomorrow for Monday's meeting. Will it be the same format with the Webex?

Ms. Boggs said, yes. The agenda will be distributed tomorrow afternoon. She will also send an invitation to join the Webex meeting at that time.

Mr. O'Keefe would like to salute the administration; in particular, Karen did a fantastic job. This is the smoothest budget we have ever had. Racheal, for putting all of this together and of course, all of the Department Heads, Mr. Abbey and the Mayor. I would like to give them a big hand.

Mr. Heffner stated this is one of the smoothest rounds of budget workshops in 8-10 years.

Mr. Martinbianco asked if we have been in contact with the county for our equalization numbers.

Ms. Moffitt stated yes, we are. We have a slight rollback.

Meeting was adjourned at 7:45 PM.