CITY OF BURTON

BUDGET MEETING

MAY 31, 2017

MINUTES

Council Chambers	Budget Workshop	6:30 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Councilman Steven Heffner at 6:30 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Duane Haskins	Councilman	Late	6:54 PM
Dennis O'Keefe	Councilman	Present	
Steven Heffner	Councilman	Present	
Vaughn Smith	Councilman	Present	
Steven Hatfield	Councilman	Present	
Christina Conley	Councilwoman	Present	

B. STAFF PRESENT

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

C. AUDIENCE PARTICIPATION

None.

D. BUDGET DISCUSSION

1. Discussion with City Auditing firm, Plante Moran, represented by Pam Hill.

   Mr. Smith stated he asked Pam Hill from Plante Moran to be here tonight to discuss the following items regarding the budget: line item budget, clarification on how to use the $2 million that council has identified, City Charter Chapter 7.6 (a) (b) (c) and how they impact the council and City Charter Chapter 7.7 special account for roads.

   Mr. O'Keefe stated the city has 6000 General Ledger Accounts. It is the responsibility of this council to manage the process and right now we don't have a process. We have done a line item budget and a departmental budget in the past. When we were on a line item budget, budget amendments would go in front of the Finance Committee and then in front of full council so it became a cumbersome process. I am concerned about the amendment that comes from a different department or General Fund. We would like your opinion to come up with a process.

   Mrs. Hill stated she works with a lot of governmental entities and she doesn't have any that are on a line item budget for this same reason. A line item budget is a lot of strain on the staff. The biggest reason for a line item budget is control. One way to still accomplish that with a departmental budget is for council to get more comfortable with the large items which are salaries and fringes. If you have each department detail out the employees' wages and fringes, it would help. I would be happy to work with the Controller's Office to come up with something to make this process more cohesive for everyone.

Mr. Smith asked how we handle employees that are spread over multiple departments.

Mrs. Hill stated typically you would estimate for their time in each department and budget for that person's percentage in each department. Other best-practices that may be helpful is a verbal summary of where you are, a column with the percentage of budget and a comments section for further explanation. If you adopt a departmental budget, the departments and the administration has the ability to move things around, that's the point.

The council discussed budget process ideas, reporting capabilities of BS&A, and the Budget Act.

Mr. Haskins asked what if the administration spends money that is not in a particular line item and then council doesn't agree with the budget amendment after it is already spent. What are the penalties?

Mrs. Hill stated from a perspective of following the budget act, the amendment should be done before money is spent. However, sometimes things come up and you need to make a purchase. There is no penalty for violating the Budget Act. It is very common practice for communities to do budget amendments after the money is spent. Not paying a bill for work performed would probably end in a lawsuit.

Mr. Smith would like to know what the council thinks about Pam Hill working with the administration regarding the budget.

Mr. O'Keefe suggests having Mrs. Hill work with the controller and bring something back to the council.

Mr. Martinbianco would like to pass the budget and go from there. We would appreciate any ideas Plant Moran has to help us.

Mrs. Hill stated she can help provide best practices but cannot monitor the budget. With the city's limited revenue, prioritization is a huge thing.

Mr. Smith asked Mrs. Hill to discuss what can and cannot be done with the Act 51 money. We understand it has to be spent within three years.

Mrs. Hill stated the 3 year rule is coming from your City Charter. It is not in a Public Act. What we have seen other governmental entities do is set aside a capital projects fund. As long as you are in compliance with your fund balance policy, when there is excess, you budget to move an amount into that fund. The monies can come from General Fund but cannot come from your restricted funds. When the time comes to do the project, if it's a local road, yes, you can take 50% from your local street fund and 50% from the capital improvement fund. The three year thing is a tracking mechanism. There isn't a loss of projects to do so I don't believe that will be an issue.

Mr. Smith said that money doesn't have to fall down to the General Fund every year.

Mrs. Hill said, correct.

Mr. Smith asked Mrs. Hill if she has had a chance to look at Chapter 7.6 (a) (b) and (c).

Mrs. Hill stated one of the things that's important is the concept of a balanced budget. If you have enough fund balance to cover a project, you're not in a deficit budget by doing this. Where you need to be careful is you don't want to fund operations with the fund balance.

Mr. Hatfield asked under what authority? Does anything supersede the Budget Act?

Mrs. Hill stated this is part of the Budget Act and it is public act which is a state law.

Attorney Joliat agreed with Mrs. Hill's statement.

Mr. Hatfield would like clarification on Chapter 7.6 (b) and (c).

Attorney Joliat stated the last sentence of section (b) makes it clear that the Mayor is responsible for administering sections (a) and (b) so you don't transfer funds under section (b) unless the Mayor makes a recommendation. Both the council and the Mayor are responsible for taking action to amend the budget if you are going to be short. State Law requires you to do that. As for section (c), it gives the opportunity for council to recognize a revenue shortage and ask the Mayor what we are going to do about it. If you don't get a plan from the Mayor, council may, by resolution reduce the appropriations. If you are satisfied with the recommendation by the Mayor of why not to, that's where the "may" comes in. You can rely on the Mayor's plan. This is only if revenues are falling short and not at the end of the year because it hasn't been spent.

Mr. Smith stated property taxes are $119,000 less than the Mayor projected. We haven't received any money in the last 60 days.

Mrs. Burke-Miller stated she does anticipate to receive $149,000 when the county settles with the city in June.

Mrs. Hill stated there is additional money coming in from the county. I think you need some kind of projection so you can see where you might be at the end of June so the council can make these decisions.

Mr. Hatfield stated one of the reasons he brought this up and he voted no was that we weren't following it with intent. Our intent when we talked about removing money from those projects had nothing to do with expenditures until I brought up this section. We were moving the money back to General Fund so we could re-appropriate it in next year's budget for road projects. I think this is a good idea and I would support it if it is legal. If someone challenged this in a court, they would definitely talk about intent; that we only followed this as a means to take care of our issue. I thought we were skirting around our actual intent and that's why I voted no.

Mr. Martinbianco stated the most disconcerting thing is what was proposed for Kelly Lake. We budget $60,000 for the current year and it was exploited to the $78,000 in the upcoming budget. If you're not going to support the end of the project, you are doing a disservice to the citizens. I was told this was required by the DEQ or DNR and still have not seen any notification from them about this being a priority. The charter was written way back in the day and we have projects today that are more substantial than what they thought about back then.

Mr. Hatfield stated we still would have accomplished our goal because that money would have fallen back to General Fund and we could have re-appropriated it because any action on the Kelly Lake project would have required council approval. This would have been doing it properly. As I have said in the past, I would like to put it on a ballot and bring it to the people and ask for a charter revision. The City Charter is antiquated and needs to be reviewed.

Mr. O'Keefe stated he voted no for the same reason as Mr. Hatfield. We cannot arbitrarily take money out of the budget for no good reason. I agree on the action, I just feel we are doing something we shouldn't be.

Mr. Haskins stated the whole aspect of the City Charter being brought up is why we need a line item budget. If the administration comes to council to transfer money we wouldn't have to deal with the pettiness of what the charter says or doesn't say. The intent of this whole budget process has been trying to generate funds to tackle the roads. I would like to move past this and start the budget process.

Mr. Smith stated he doesn't think we got an answer on section (c). We waited for 6 months to see where we are on the audit which might have been good when money was flowing in but that's no longer the case. Every dollar has become more precious to us. We are operating blind 1/3 of the way through the budget year.

Mrs. Hill stated there are a couple months where bills will be coming in but the controller's office can give you a fairly good estimate. Ideally, when we come out to do the audit we aren't posting any journal entries. The numbers she gives you when we come to do the audit should be good which is 2-3 after the end of the year.

Mrs. Burke-Miller stated in October of last year, she gave the council a Preliminary Revenue and Expenditure Report that was right before the auditors came in and nothing on it changed.

Mr. Smith said he likes the idea of the Executive Summary. We have to have information that is current, not 6 months later to make the best decisions.

Mr. Martinbianco stated this will work under a departmental budget but not on a line item budget.

Mr. O'Keefe stated it depends on how much work it will be. We need to at least look at it because a condensed report would be very helpful.

Mrs. Hill stated we had our first meeting with the administration today and we walked through our plan for the audit. We have a start date of September 25, 2017. We will send out communication to council within the next week regarding what we talked about and what the plan is. We will also be in touch with the Finance Committee sometime in the next couple of months as well as the Council President. We will be sending updates throughout the audit.

Council took a recess at 8:10 PM and returned at 8:29 PM.

2. Proposed Budget for Fiscal Year 2017-2018.

Council discussed Mr. Hayman's email regarding MDOT's opinion on City Council creating a special account for roads.

Attorney Jolliat stated he agreed with MDOT's opinion.

Mr. Hayman stated he is in agreement with setting up a special account however, he is worried that if we begin to use Act 51 money in the special account, we may be at risk of losing it.

Mr. Heffner asked Mr. Joliat's opinion about creating 2 special accounts: one for Act 51 money and the second for other road money.

Attorney Joliat stated he didn't think that would satisfy MDOT based on MDOT's written opinion. We risk being in violation of the Constitution and having Act 51 funds withheld.

Mr. O'Keefe stated the Motor Pool (6061) fund balance on page 44 has been there for years. If it's Act 51 money, we are in violation right now. It hasn't been an issue up until now. I think the money is free and clear and Act 51 has nothing to do with it. So, I think this solves the problem.

Mayor Zelenko stated the money is there to replace equipment.

Mr. O'Keefe stated we also need another fire truck. We can use part of it for a fire truck and part of it for roads.

Council discussion on a second fire truck purchase.

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Mr. Smith asked Mr. Hayman for the report regarding vacant positions and fringes.

Mr. Hayman stated Mrs. Warren couldn't be here tonight but he has rough numbers for the council. Most of the positions are not General Fund dollars, they are water and sewer. We have ten open positions for a total of $300,072.80 for wages. With the Police Officer vacancy that bumps it up to almost $335,000. Total for fringes is $248,000. The only positions that come from General Fund are the two motor pool positions and the Police Officer.

Council discussion on open and filled positions.

Mr. O'Keefe stated this process was very efficient. He doesn't see any reason to go back through them. We do have some loose ends so we may need another meeting.

Council agreed with Mr. O'Keefe.

Council would like the specifics on the air compressor.

Mr. Haskins would like to know when Mr. Hayman will have the overtime report.

Mr. Hayman stated he will try to have it by Monday.

Mr. Martinbianco would like the breakdown of the sewer failure in Farmcrest area a couple years ago.

Mayor Zelenko would like a list of the changes that are being recommended.

Council scheduled the next budget meeting for June 15, 2017 at 6:30 PM.

Meeting was adjourned at 9:31 PM.

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ATTACHMENTS:

- Departments (DOCX)

- Assessing
- Treasurer
- Controller
- Election
- Clerk
- Council
- City Hall
- Public Service
- Transfers Out
- Self-Insurance
- Mayor

- Water
- Water Asset request
- Sewer
- Sewer Asset request
- Planning
- Zoning
- Building

- Fire
- Fire Capital Projects
- K Drug Law Enforcement
- Police

- IT Department
- Senior Citizens
- Senior Center Activities
- Burton Youth League
- Park and Recreation
- Police Fire Sculpture
- Veteran’s Memorial
- Cancer Survivors Park
- Capital Improvements

- Motor Pool
- Motor Pool Asset Request
- Major Street
- Local Streets
- Rubbish
- Amy Street Capital Improvements
- Amy Street Debt

Final Budget discussion