CITY OF BURTON
COUNCIL WORKSHOP MEETING MINUTES
MAY 13, 2003, 3:00 P.M., COUNCIL CHAMBERS

THE COUNCIL WORKSHOP IS CALLED TO ORDER BY COUNCIL VICE-PRESIDENT DANNY WELLS AT 3:10 P.M.

MEMBERS PRESENT: Wells, Cross, Bement, Tinnin, Centilli, Martinbianco

MEMBERS ABSENT: Brawner

OTHERS PRESENT: B. Becker, Treasurer / Controller, D. Lowthian, Assessor, C. Abbey, Administrative Assistant, J. Adams, Clerk's Office

PURPOSE OF THE MEETING: COUNCIL WORKSHOP TO DISCUSS THE PROPOSED 2003-2004 CITY OF BURTON BUDGETS, AS FOLLOWS:

1. Final Budget Amendments

PRESENTATION:

Mr. Becker thanked Council for their attendance at the last 4 budget sessions. He stated he will address the administrative amendments and he has passed out information on the Rubbish Collection Fund revision. For the cost of living index used in that formula, the final numbers were received after the budget was proposed. So this reflects those actual cost of living numbers, and as I suggested, it is about 3.02%, so we are passing it onto the customer.

The second fund affected with administrative amendments is the Water Department. Mr. Riess advised that the increased water rates will be passed on by Genesee County effective August 1st. He will have a packet to consider those increases for the next Regular Council meeting. If Council increases those rates, they will cause the budget in the Water Fund to be amended as well. Mr. Riess suggested in his session of passing on exactly what the County passed on. Whatever increase we see on the expenditure side will be offset by an identical increase by the rate that is passed on to the customer. That will result in those minor changes on pages 37 and 38.

Mr. Becker stated further, they will know today after 4:00 p.m. if there is a primary election and if funding for that currently in the budget proposal is necessary. Also, if the election devices are purchased in June they will be backed out of the budget for next year and we will have an amendment in the elections budget.

The final administrative amendment will be made once we receive the Headlee rollback numbers. The County will not provide the final numbers until the last week of May. We will set the hearing for Council's first meeting in June, and then that hearing will probably be just prior to the second Regular Council meeting in June. In addition to the Truth & Taxation discretionary rollback that we are exposed to, there will probably be a mandatory Headlee millage rollback. If it is mandatory that we are required to rollback the millage, that will reduce the revenues slightly in the two funds that have millage revenue coming in, being General Fund and the Police millage. Also, possibly the DDA which Council has not seen yet for approval.

Mrs. Tinnin asked when the water rates are scheduled to be passed on and if it has been stated for sure that is what the increase will be.

Mr. Becker said the County Board has given us a signed document from the Drain Commissioner saying those rates have been approved by the Steering Committee and effective August 1st. It will be in the back-up material from Mr. Riess. If he brings it by next Monday we will have time to amend the budget. If it is later in June or July, we will have to make the adjustments if and when the rates were approved by Council.

Mrs. Tinnin asked for clarification that the City Council's membership and dues this year was $17,525 used.

Mr. Becker responded yes, and it primarily consists of two memberships. The Michigan Municipal League and the National League of Cities. MML dues is based on the actual State Shared Revenues we received.

Mrs. Tinnin expressed it is a huge difference from 2002.

Mr. Becker said he believes in the 2002 year we did not participate in the National League of Cities.

Mrs. Tinnin asked how much it is for a yearly basis and what does it cover.

Mr. Becker said it is approximately $8,000. They provide us with continuing information from the federal level, magazines and newsletters. Our Mayor is on one of the National League of Cities Steering Committees. It gives us access to their pool of information Mr. Becker stated further, he cannot point to anything more specific other than an easier flow of information.

Mr. Martinbianco said he will probably have amendments the week between Memorial Day and the end of the month. It will probably be a modification of General Fund and Local Street if it has not been addressed.

Mr. Becker said they could accommodate it with that schedule. He does not want to put a lot of information together for amendments that we know for sure don't have a chance of going through.

Mr. Martinbianco said there is a first Regular Council meeting June 2nd and he should have them in written and prepared form to distribute to Council.

Mr. Becker said he would like to have this on June 2nd for adoption just of the Headlee.

Mrs. Tinnin said under traffic signs and controls, it was stated under contractual service a large increase budgeted $100,000 from $40,000. She assumes it is due to the take over from the County Roads.

Mr. Becker said it is his understanding we are still going to contract the signal maintenance with Genesee County Road Commission. They do that now on all the signal maintenance. There may be a couple of locations that will either require updating of the signalization or actual placement of signalization. Mr. LaDuke stressed in the last meeting they are going to review a number of intersections. Some may or may not be involved in the FAUS process.

Mrs. Tinnin said she has one budget amendment and a couple of different options. She has felt strongly the last couple of years about the $90,000 transfer to the General Fund from rubbish, which is user fees. User fees should not be used to re-capture any kind of State Shared Revenue shortages, or shortages to begin with. Those monies have to be used for the purpose they are collected for.

Mrs. Tinnin stated further, she suggests taking the $90,000 back from the General Fund and transferring back to the rubbish fund so that this will cover the increases that will be necessary with the cost of living. This will leave us with a projected fund balance of $56,308 to also absorb next year's increases. We will have a slight increase at that time but it should not be a large increase. Mrs. Tinnin addressed further the changes the $90,000 amount would make in the General Fund Summary, fund balance summary, projected deficit, projected fund balance and other areas in the budget. She stressed this will absorb any increases this year and we would have a surplus for the following year. We would have a larger deficit in General Fund but not much larger than what we are experiencing this year.

Mrs. Tinnin said the other option she offers is to reduce Parks & Recreation by $10,000, City Council conference and workshop $5,000, Membership and dues $5,000, Mayor conference and workshop $5,000, Miscellaneous $2,000, Public Service / Parade $26,000, Fire Department conference and workshop $5,000, Gas and oil $5,000, Miscellaneous $2,000, Traffic Signs and controls contractual service $25,000. That comes up to $90,000.

Mr. Centilli asked Mrs. Tinnin if she is eliminating the parade.

Mrs. Tinnin replied yes she would be eliminating the parade at this point in time.

Mr. Centilli said that is the one thing the City does all year.

Mrs. Tinnin said it is not a necessity when it comes to making people pay for increases they should not have to pay for.

Mr. Centilli said he does not think Mr. Becker said we are doing that.

Mrs. Tinnin said these are user fees that have been contributed to the rubbish fund and they are for that purpose. They are not to subsidize General Fund to pay for parades or other things that are not necessities.

Mr. Centilli asked Mr. Becker to further explain the $90,000 issue.

Mr. Becker said we have had lengthy debate on this last year. Council was aware the $90,000 transferred last year was allowed by the City auditors. It was replacing previous years subsidies from General fund. We subsidized three different years of rubbish rates by General Fund in excess of $90,000. In tough times we are trying to recover some of the subsidy that General Fund had put forth to the rubbish fund some time ago. That was the debate and discussion that we had at some length a year ago. It is a user fee but it has been in place for quite some time and has been subsidized by General Fund revenues. So as a result of re-paying that subsidy, that is an allowable activity. If it wasn't, it should have been red-flagged a year ago and not trying to make something correct a year later.

Mr. Becker said one of Mrs. Tinnin's alternatives was Major Street. Major Streets contractual service does not have anything to do with General Fund, it does not subsidize Major Street at all. Major Street money can only be used for Major Streets so they could not reduce the contractual service by $25,000 and give that back to General Fund. That would not be allowable. We spent considerable time administratively trying to come in with a balanced budget and trying to maintain that fund balance. We just received Standard & Poors and had one in December that maintained our rating as it related to revenue bonds. We also got our rating on our special assessment and general obligation bonds. Standard &Poors maintained our bond rating at a A-. Part of the justification for maintaining the A- rating is the fact we have a fund balance to the extent that we have.

In summary, Mr. Becker stated he would greatly be opposed to try and dip into the fund balance any further. We are proposing pay freezes and not filling vacancies just in order to keep the fund balance in tact.

Mrs. Tinnin said that user fee comes in for that purpose regardless of what the legislators, Mayor or administration decides to subsidize from General Fund, that is our choice. But the money collected is for the purpose of user fee. To take it and transfer it to General Fund and use it for other purposes, I think legally there is some liability there. I will not vote for the budget with the $90,000 not coming back because last year it never should have left that fund to begin with.

Mr. Martinbianco said relative to Mr. Becker's comments on keeping our rating with Standard & Poors, absent the $90,000 we made from the Rubbish Fund, instead of a deficit of $84,000 this year we would have been looking at $174,000. How would they have then viewed the fact we operated a deficit that large and how would that have impacted our ratings.

Mr. Becker replied it is difficult, they have a very strict criteria. There are a number of factors they review. If you recall, primarily the $84,000 deficit is a result of mid-year, on-going transfers by City Council. The majority of that was demolition for those buildings that was transferred. Absent that, we would still have a balanced budget.

Mr. Martinbianco said he agreed with Mrs. Tinnin last year that it was wrong, but with respect to that issue, it is water over the dam and now we have to face the budget given the perimeters we are looking at. Not to say there may be some other cuts that might be legitimate we may need to look at.

Mr. Martinbianco stated further, based on the cost of living calculation that was done, the entire increase is not really being passed on.

Mr. Becker said it use to be in the most recent five years, whatever was charged to the City was passed on to the customer. Last year that trend was deviated from, in the fact the City absorbed whatever small slight cost of living increase there was. Last year it was 90 cents a stop. We were able to absorb that and not only transfer the money back to General Fund but we were able to absorb the 90 cent increase to the customer. The Mayor also committed last year to absorb that 90 cent increase again in the year coming. That is what we have done. There is going to be a 90 cent per stop, per year difference from what we pay the collector versus what we charge the resident. My original numbers was based on Consumer Price Index numbers I thought were going to increase approximately .2%. In the year that they used theirs, April 1st through the end of March, I did not have the final numbers in hand when the budget was proposed the first part of April. So those numbers have now come in and the CPI wasn't 2%, it was 3.02%. That is why these amendments are put forward, but the entire 3% has been passed on. The 90% that was not passed on is still held harmless.

Mr. Martinbianco expressed if you take the 90 cents times 10,400 stops it is $9,600 - $9,700, so projecting a deficit of $3,400 we are still covering part of that cost and only losing a third of that.

Mr. Becker said that is correct, because of the curbside re-cycling and any small interest income that we are getting that would cut into that $9,400 overall cost of that 90 cent per stop subsidy. I still contend from last year's discussion, there are two widely decisive distinct areas. With the ½ mill rollback of the sewer debt millage, I understand we have to do that and it can only be used for sewer debt. But that is going to be a savings on a $100,000 home of about $25.00 on their tax bill this year. The result and increase on the rubbish side putting forth that 3% increase will amount to $3.70. So the taxpayer assuming nothing else changed would be ahead by over $20.00.

Mrs. Tinnin responded tax wise, but fee wise we are seeing increases in property assessments, water rate and sewer rate increases, that combined with rubbish. Our assessed valuation has doubled and they should see more of a decrease between fees.

Mr. Martinbianco asked Mr. Lowthian what kind of work load he experienced during the Board hearings.

Mr. Lowthian said it was probably normal for the post Proposal A period. Prior to 1994, we would have public hearings every 5 minutes scheduled during a five day period. Now we have a total of 4 days of public hearings and have about 50 people appear. The workload is much less than what it was 10 years ago as far as the Board of Review Appeals. The Assessor's work is much higher because of some of the new requirements. We are noticing the transfers when property sells. Years ago there was not much difference between the taxable value and the assessed value. Now it is not unusual to have a 30 to 40% swing. That is why we are having a problem with Headlee and we are having to roll back pretty consistently over the last several years.

Mr. Martinbianco inquired regarding the Motor Pool budget.

Mr. Becker replied Mr. LaDuke said they are strongly reviewing all aspects of the Motor Pool. They have instituted a work order basis for the actual internal repairs of vehicles and it is working more efficiently. There is a dramatic reduction in overtime for the mechanic. With the previous mechanic it was not unusual for 40% to 45% of overtime. Mr. LaDuke is scrutinizing weekly timesheets to make sure every piece of equipment is marked down as being used.

Mr. Martinbianco spoke regarding Pinebrook subdivision. He noted there was nothing budgeted in Local Street under construction. Residents have voiced complete dis-satisfaction concerning the road. The road should be brought up to standards. It was not a good product when it was put in and it is not a good product now. He can understand the residents frustration and the street is not that old. His suggestion is to tear the boulevard out and have curb and gutter like what is at the intersection on Vassar Rd. I don't know what minimum amount of re-construction can be done on Pinebrook Ln. itself, but maybe phase the entire subdivision if it needs it over the next couple of years.

Mr. Becker said that was discussed at Mr. LaDuke's session and it was the very first one he is currently evaluating with Phil Panchula. He contends it can still be done under surface maintenance contractual and not be a complete re-construct. His numbers suggested was $30,000 to $40,000.

Mrs. Tinnin stated ACT 51 dollars can only be used for major streets. She asked how monies could then be used towards local streets such as Pratt, Wagner, Nelson and Brabbs for re-paving when they are not major streets.

Mr. Becker said they are local streets and maybe Mr. Major's contention of major street potential subsidy is where they were going to intersect with our current major streets taken over from the County. Mr. LaDuke said he thinks there is enough contingency dollars that may not require any kind of subsidy.

Mr. Abbey said a portion of that ACT 51 dollars, is just 30 ft. to 60 ft. off the boulevard where the curb work is coming into those existing streets. The right-of-way so far back will qualify for the ACT 51 dollars, and then at that point on, it is a local street.

Mr. Becker said they did the same thing on Lippincott when they did the Lapeer Height radius's. We used major streets there. Where they intersect with those major streets we were able to do that back to the right-of-way.

Mr. Martinbianco gave an example of Belsay Rd.

Mr. Bement said the budget looks pretty status quo, I think it is a well rounded budget that can do a good job for the City. We could nickel dime this and there are some things that aren't necessary. I alluded to one of them, dealing with the Council. I never believed the City should pay for fringe benefits for people that meet a couple of times a month. He believes the City of Burton gets good services for the taxes they pay. I don't have a problem with the increase in rubbish because I feel it was moved a year ago, whether we agreed with it or not, and I voted for it and I think we have to live with that.

Mr. Bement stated further, he respects the people who put the budget together and they certainly know more about budgeting than he does. I think with the budget we got, if it is adopted the way it is now, we will be able to operate even with some shortfalls from the State.

Mr. Centilli said he solely agrees with Mr. Bement's comments.

Mrs. Tinnin said if we take action on it tonight, the main motion would be deleting $90,000 from General Fund and transferring it back to rubbish. We really don't know exactly what shortages we can encounter in some of these other budgets. I feel conference and workshop line items were sometimes excessively high and were not used in previous years. That is an area that can definitely be cut back on. For gas and oil there seems to be quite a bit used in the Fire Department. Miscellaneous has a pretty large line item in the Fire Department. I would like to see the parade go on, it is just not a necessity. I feel the user fees are meant for that purpose. Mrs. Tinnin stated further, we are collecting from the users which is basically everybody in the entire City of Burton, they are rubbish users and they own property. That is for that purpose, it might be $3.00, but that is still owed to them. I am totally against those surplus dollars going to provide for developers water lines and sewer lines. I think it is something that needs to be addressed in the future and hopefully soon.

Mr. Martinbianco mentioned Mrs. Tinnin's option 1 and option 2. Brief discussion following concerning making a motion. Mrs. Tinnin said they could not take action because it is a workshop.

Mr. Martinbianco said he would probably not be in favor of her motion at this point in time, but that is not to say if he looked at something else he may find it more acceptable if there were other revenue sources available.

Mr. Cross said he did not want a vote taken in the workshop. I have never allowed it and I will not take a vote.

Mr. Becker said his only concern is he spent time with Mrs. Tinnin trying to detail her suggestions she made today. What can appear to be a minor revision on the night of adoption, June 16th, may in fact cause all other numbers on six or seven pages to be modified. It is very uncomfortable for me to try to make those modifications quickly that would involve 6 or 7 pages of changes under the constraints of an on-going Council meeting and have in a format you want to be able to act on.

Mrs. Tinnin thanked Mr. Becker for spending time with her. She hoped there would be a concensus because it seems logical to her these are user fees.

Mr. Martinbianco responded to Mrs. Tinnin's comments and stated there is nothing in this year's budget that transfers anything to General Fund. In the current year's budget, you are correct, but nothing in the budget you are talking about. Mr. Martinbianco re-iterated that last year he was against it too, but it is done, a democratic society said no, the auditors said they could do that and the balance of the Council said yes. It averted a $175,000 problem this year. In summary Mr. Martinbianco stated, for us to go back now into the next year and say we are going to re-coup these costs, we probably can't do that, and I would suggest that.

Mrs. Tinnin said it does not make what we did this current year right. With the increased cost of living charge that is being passed on now, we need to somehow come back and justify why their garbage rates are increased.

Mr. Martinbianco discussed having a resolution that parliamentary indicate all budget amendments can only be in order and discussed and reviewed at the budget adoption meeting. If they are brought forth in written form and presented to the administration by resolution at the meeting prior to the meeting adopting the budget. I don't know if we can do that or if it is something of interest, but we can talk about it Monday night at our Regular Council meeting. If it is, everybody would be conscribed to have their amendments turned in by the meeting of June 2nd, and they would be considered at that point in time. No other amendments would be subject to that. Mr. Martinbianco stated further, it is something to think about and I will consult with Counsel on Monday night to see if we can do that.

Mr. Wells adjourned the meeting at 4:10 p.m.

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