CITY OF BURTON
COUNCIL WORKSHOP MEETING MINUTES
MAY 8, 2001, 3:00 P.M., COUNCIL CHAMBERS

THE COUNCIL WORKSHOP IS CALLED TO ORDER BY COUNCIL VICE-PRESIDENT CHARLES CROSS AT 3:20 P.M.

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

MEMBERS ABSENT: Wells

OTHERS PRESENT: B. Becker , Treas./Controller, J. Adams, Clerk's Office

PURPOSE OF THE MEETING: COUNCIL WORKSHOP TO DISCUSS THE CITY OF BURTON PROPOSED BUDGET FOR THE YEAR 2001-2002.

1. Capital Improvements
2. Rubbish
3. Community Development
4. Self Insurance
5. Employee Health Care Fund

PRESENTATION:

Mr. Becker stated he has three items of updates that were requested from the prior budget meetings. The first is the Mayor's priorities for the utilization of the new State Shared Revenues. In the first session, we discussed additional revenue of $569,000 between the current year's additional monies plus the new year's. This is exclusively Stated Shared Revenues. The projects that are currently on the list for potential amendment's is the City Hall expansion, Motor Pool expansion and possibly the replacement of Fire Station #2. The Mayor assigned $170,000 to that. The City Hall expansion can be done with an annual bond payment, but I am not sure we are that far along on the details of the Motor Pool expansion. It could possibly be done on that same bond issue. Mr. Becker said it would then be the intent of the Mayor once this other bond issue on the current Police/Fire Stations drops off in 4 or 5 years, to possibly float another issue potentially for Fire Station 2. He does not think we could do all three projects for a $170,000 bond payment. The Burton Building Authority has the ability to float bonds for capital improvements. There is a separate State law that allows them to do that and they can sell bonds without the vote of the people. They enter into a lease agreement with the City that goes for the period of time the bonds are being paid off. The amount of the lease payment is equal to the amount of the bond and interest payments. Our financial people tell us that with today's market, you should be able to finance a $1,500,000 bond issue with a cost of $150,000 a year for 20 years. The Building Authority would actually own the improvement until the bond and interest for that bond issue is completely paid off. The lease agreement between the Building Authority and the City would expire and the Building Authority would turn the facility over to the City for a dollar. That is currently the process that we utilize for the Police/Fire facility and that is what we would anticipate doing for the City Hall expansion.

Second item is the full funding of the existing Police personnel, which was another $70,000. The third item was increasing the drains at large which is in the Public Service budget that was in General Fund. Currently it is at $50,000 and the Mayor is suggesting it be increased by another $100,000 to $150,000. In the Parks & Recreation, the Mayor is talking about adding another $50,000 for new park projects and another $50,000 to the Planning Commission. With the final stages of the Master Plan review, there will be text changes and maps to be considered for the continuation of that process. This still leaves $129,000 of the $569,000 State Shared Revenues. The Mayor suggests with natural gas and gasoline costs that are going up, he wants to keep some contingency back for those unknown costs at this time. He may have a couple of other projects to still be determined. Mr. Becker said he will get something to the Council in writing, but currently, this is the incomplete list as it exists right now.

Mr. Becker said he mentioned in General Fund of making a $12,000 increase to the lease fees. With regards to the tower situation at the Belsay Road location, there may not be a need to increase that lease fee item as it appears the first year has been pre-paid to the previous owners. He does not know where it stands at this time, and the Council will be updated with a letter from the attorney.

Mr. Becker stated on the revenue side, the Police Department is anticipating coming to you with another set of police fees. On page 13, there is a new item of $15,000 which will go through the normal process of Council approval. There is a couple of different new fees of levying, one being the impound fee levied at the storage yard. There is some difficulty in tracking those cars internally and they want to be able to track the situation of impounding cars and charge a fee or that. Mr. Becker stated further, they also have another fee for re-inspection of totaled vehicles. There is one or two people on staff at the Police Dpt. that has the ability to re-certify the vehicles that are severely damaged, and then they are brought back into driveable condition. The Council will be getting a narrative to approve or disapprove those fees.

Mr. Becker said he would like to add to this meeting's agenda if time is allotted, the Sewer Debt budget and Major Street Debt budget. Public Works will be on next week's agenda and will be quite lengthy.

CAPITAL IMPROVEMENTS BUDGET

Mr. Becker stated that in the General Fund budget there are monies set aside for specific projects that are not completely spent by June 30th. We will come back to Council in June and ask that those monies be carried over in the Capital Improvements budget so those project costs approved would not be lost back to General Fund fund balance. This is what the Capital Improvements budget has been historically used for. Currently, there are not many remaining monies left in the Capital Improvements budget. There is a small amount left in the voter file. One of the provisions of the City Council was that any proceeds from the sale of voter equipment, is to be used for the purchase of new equipment. We retained that amount in this fund, and you can see in the last few years we have spent over $18,000 in voter file replacement equipment. As mentioned in the Clerk's budget session, the County is talking about floating a bond issue for new voter file equipment, which we will deal with once a solid proposal is sent to us.

Mr. Becker spoke regarding the Parks & Recreation line items from prior years. The Water Tower Park, Water Tower clock, Kelly Lake project, and Fire Staton #2 Park, had activity in the current year with monies spent and have none to carryover into the new year. The fire truck lease in the fire budget was spent in Capital Improvements this year with a small amount left of $2,500. The first $2,400 in next year's lease payment will come from there and what is left will be charged to the Fire Department budget.

Mr. Becker addressed the City building improvements of $90,000. He stated at the time the budget was prepared, we did not think the City Hall expansion was going to occur because we did not have the funding. We were basing our projection on the census staying the same. The $90,000 was set aside in Capital Improvements and the funding of that coming from General Fund to do cosmetic changes to City Hall. The exterior is deteriorating rapidly and the parking lot in the back of City Hall needs major repairs. The Memorial Library and other building parking lots need repair also. It was our intent when we put this together that we would spend this $90,000 on building improvements. Now we have some additional funding and we may move forward with a bond issue for City Hall. Any exterior improvements to City Hall and parking lot improvements would be encompassed in the bond issue. The $90,000 could then be used for other building improvements or possibly used to pay down on the bond issue.

COUNCIL DISCUSSION:

Mr. Martinbianco inquired regarding the State Shared Revenue amount of $569,000 and the annual anticipated revenue reoccurring source.

Mr. Becker replied the current amount, which was retro to October of 2000, is $217,750, and the new year's allotment is just over $351,000. This information is on the State Treasury's web site.

Mr. Martinbianco asked if under the revenue source of transfer from other funds, the $90,000 comes from General Fund.

Mr. Becker replied yes.

Mr. Martinbianco asked how many budgeted items that have zero will drop off as we find other needs or other identified sources.

Mr. Becker said most budgets are adopted on the departmental total basis. This is one of the few that are approved on a line item basis. The EDC pamphlet line item has been there quite a while, and the City Council would have to determine if it is an abandoned project before we could move that $1,900 some other place.

Brief discussion followed regarding unspent funds and transfers.

Mr. Brawner inquired regarding the EDC allocation amounts noted in reference at the bottom of page 18.

Mr. Becker said at one point in time we had an outside advertising source that was going to promote selling a booklet based on Burton business advertising, similar to the Chamber of Commerce. This did not work out and the only contribution we had was $2,500 from Forest City for an ad. We retained it and we should not use their money for anything but that. It exists in a liability line at some point in time we should probably give it back to them. Mr. Becker stated further, Walmart asked that their goodwill contribution of $4,000 go towards a community related promotion. This $6,500 is still set aside as well as the $1,900.

Mr. Brawner asked how long this goes back.

Mr. Becker said about 7 to 8 years.

Mrs. Tinnin asked if this is on the revenue side.

Mr. Becker responded yes, those are monies set aside in assets and are not shown as part of the fund balance because they are restricted assets. The Burton Chamber has become more active and came up with their own pamphlet. Even though the EDC is within the Assessor's budget, it has been undirected for awhile and the Burton Chamber has picked up the pace. They should be made aware there are monies available as well for activities they may have from this budget.

RUBBISH FUND

Mr. Becker said part of the Rubbish Fund proposal this year was to return the $90,000 of previously General Funded monies back from the late 1980's, early 1990's. The garbage collection at the City was a fully funded activity out of General Fund for quite some time. Currently, the City has 10,249 stops that we pay a fee of $121.73 a year. The current rubbish contract provides for no increase this coming July 1st. We added an additional 100 stops for new construction. There is also recycling income within the contract. Last year we put the leaf bags into the Rubbish Fund, and the material sales represented is the sale of paper leaf bags. Mr. Becker stated further, on the expenditure side you will see operating supplies. We are selling them for cost and we are still on the initial supply from last year. The proposed transfer to General Fund of $90,000 to replenish their previous subsidy, will bring the fund balance down to over $17,000. We have a long-term contract with the rubbish carrier to 2004 to 2005. The following year is proposed to go up half the cost of living, and the final year it will go up the cost of living.

COUNCIL DISCUSSION:

Mr. Cross asked what percentage is the cost of living right now.

Mr. Becker said last year it was 3.2%.

Mr. Martinbianco asked if this is the same agreement we reached last year. He addressed the Mayor's letter regarding the agreement with Waste Management, and read aloud the 5th paragraph of the letter. He questioned having another new 5 year extension to the contract.

Mr. Becker said we have not had any further changes to the contract other then the last one done a year and a half ago.

Mrs. Tinnin commented regarding additional revenues from the $90,000 that is proposed to transfer back to General Fund. She asked why they wouldn't transfer these additional excess revenues back during the years it was corrected that it was in excess of.

Mr. Becker said you have to know the history of the fund balance. The contract was expiring, we had the composting legislation past onto the City where we had to go to the paper bags and also to collect. We were concerned some of those costs would increase dramatically by our carrier, and we wanted to try and buffer that increased cost by building up that fund balance. Now that we have overcome those hurdles, the fund balance is probably higher then what it should be at this point. In the previous contracts, because their collection is so gasoline oriented, there was gasoline escalator clauses built within the contract. If the gasoline increased to a certain level, they could automatically raise their rates.

Mrs. Tinnin stated a $17,000 fund balance does not leave a lot of room to play with.

Mr. Becker said two months ago, we were looking at a very tight budget and looking at revenue sources for General Fund. The $90,000 for City property improvements was the amount we were going to get back from the Rubbish Fund. We were in some tight situations a month ago, and the concerns have been lessened quite a bit by the census.

Mrs. Tinnin said she would like to leave the $90,000 where it is at, or at least part of it.

Mr. Martinbianco re-iterated Mrs. Tinnin's comment. He said he continues to protest the sale of lawn and leaf bags, and anything else that is an infringement on private enterprise. It is not only costly to have inventory, but if you go to any other community that has grass and leaf collection, they will direct you to some private enterprise that sells those kinds of articles. Mr. Martinbianco spoke further of DPW's time that is involved with the lawn and leaf bags. He stated that in speaking with people from the Burton Chamber of Commerce, they also agree with his position.

Mr. Martinbianco said he would like to see under the revenue side, to strike off the contingency and the transfer General Fund, and leave that balance in there. There will be a modest surplus even after next year. Mr. Martinbianco asked if the $77,000 contingency is a projected revenue for the coming year.

Mr. Becker said the $77,000 is strictly a draw from the fund balance. The fund balance coming into the year was $80,000 and we will have a surplus of $14,500. So we are anticipating at June 30th of this year of having $94.000, and of that, we will take $77,000 of the fund balance to show as revenue.

Mr. Martinbianco spoke of keeping a substantial reserve for unanticipated expenses.

Mr. Becker asked for clarification from Mr. Martinbianco that he wants to do away with the $90,000 transfer to General Fund, give some kind of relief back in reduced rubbish fee down from the $121.73. The $4.00 would be somewhere in the $40,000 to $45,000 range that would reduce the fund balance by subsidizing that particular user rate fee.

Mr. Martinbianco indicated that is correct. If you look at 10,350 stops and roll up that extra $100 we would be budgeting for this year, we are talking about $41,000, which still leaves if all the estimates are current, over $50,000 in the funds.

Mr. Becker indicated the Mayor did not want to get into a situation where we would dramatically reduce it one year.

Brief discussion followed regarding an increase in the rubbish contract.

COMMUNITY DEVELOPMENT

Mr. Becker indicated on page 19, the projects that were approved by Council are reflected on the expenditure side. Community Development will be funded on a three year basis, and we are in the first funding year. Paid Community Development money is on a reimbursement basis. We have to incur the expense, turn it back into the County and then they turn it back into the Federal Government for reimbursement. We usually get our money back 30 days after we file the reimbursement. Of the $200,000 for water line improvements, $162,000 is new Community Development monies. The Water Department is aggressively doing the south end watermain improvements. We are suggesting of their $2,000 allocation, we may be carrying over $37,000 in addition to the new monies of $162,000 that will become available this summer. These new monies, with the exception of the Senior Citizen’s subsidy, have to be spent within an 18 month or 2 year period. You will see quite a few projects that will need rapid expenditure, and the last year of this 3 year, you will see a lull because the funding will not be there and our projects will have to be spent.

Mr. Becker said for street improvements and ditching, Council authorized in November $197,758. We have some residual from the 2000 year allocation leftover of about $27,000 to $28,000 carried over to come up with $225,000. Mr. Becker stated further, they will discuss specific street improvements next week and the street department personnel can advise as to what specific projects they intend to do with their Community Development monies. With fire equipment, in November, there is just over $15,000 authorized with a small amount left of $2,000 from an existing equipment line item. The Fire Chief mentioned they did exhaust improvements on the tail pipes of some of the fire trucks at Station #1. The Community Development monies have to be spent at Fire Station #1. In November for Parks & Recreation, the Council approved close to $56,000, with a small residual left over from their existing Community Development allocation for the playscape at West Bendle.

Mr. Becker spoke briefly concerning funding based on population.

SELF INSURANCE FUND

Mr. Becker spoke regarding the history of the Self Insurance Fund. He indicated the City has had private carriers from Blue Cross/Blue Shield, PPOM’s, PPO’s and others. We have been with the self insurance for four years. We pay all the health claims out of our pocket and charge the various departments and their employees a certain monthly rate for those health claims. Beyond the dollar for dollar payment of those health claims, we have a re-insurance company that will insure us for high exposures. Our co-pay on individual claims is up to $20,000. Once an individual has more than $20,000 in health insurance claims, it gets turned over to the re-insurance company and they pay the balance of that. They also have aggregate re-insurance levels so if we have a number of large claims by a large number of people, there is a certain maximum exposure for the group that we can absorb.

Mr. Becker said the first two years we went into self-insurance. We got a two year commitment that was unbelievably low on the re-insurance premiums and thought we saved a quarter of a million dollars over a 2 year period of what we would have paid if we had private insurance. The second and final year of that commitment, we had a very poor exposure of claims. We had 7 or 8 employee family members that went over our co-pay and created a bad experience as far as renewals are concerned. A year ago our rates went up dramatically because of that first 2 year experience. In the current year, our experience is much better. Prior year expenses under health claims of $397,980 we are predicting it will fall down to $335,000. Because of poor exposure, the re-insurance premiums which are fixed for this year will amount to approximately $204,000. One of the changes we put in place in the prescription area was to go to a higher co-pay. That has not proved to be the savings that we thought it was going to be. We went to a $10.00 co-pay on generics and a $20.00 co-pay on non-generics. We hoped to see a $20,000 to $30,000 savings and that has not occurred. One of the reasons is employees have found a way to get non-generic drugs and not pay for the $20.00 co-pay. We are reviewing that process with our carriers to try and strengthen that requirement.

Mrs. Tinnin inquired regarding retirees.

Mr. Becker responded that the Employee Health Care Fund was created with Council's approval. It will be used exclusively for retirees. Brief discussion followed regarding prescriptions.

EMPLOYEE HEALTH CARE FUND

Mr. Becker said the State of Michigan in 1999 created a new Act that allowed cities to create a specific employee health care fund. The Act was very specific on how this was to be initiated, funded and monitored. The major difference between this fund and any other fund was it allowed monies to be set aside in a fund and be utilized to pay premiums for retirees health benefits. It also allowed those monies to be invested at a much more aggressive basis. They allowed you to invest in the stock market, in corporate bonds and much more liberal than the historical Act. In this Employee Health Care Fund, it gave you a much larger and aggressive flexibility. With Council's approval, we created the fund. Wage contributions of 3 1/2% is a fringe benefit contributed to this health care fund. In the new year, that contribution rate will increase to 4%, and in the current year, the actual insurance itself does not become available by contract until July 1, 2001. Mr. Becker stated further, we are going to accumulate those contributions in the current year of $152,000, and have no claims against that. The second year we hope to increase the fund balance by $166,000. We predicted at this point $24,000 of what our insurance premiums will be. An officer and street superintendent are retiring in July, and an officer retiring in January, so we incorporated those premiums into this expenditure budget.

Mr. Becker stated further, a multi-year contract provides that the following year a 4% contribution is maintained, and in the final year it increases to 4 ½%. One of the provisions the State Act requires of the new health care fund, is at least once in every 5 years, we have this actuarially evaluated. We are hopeful with the numbers put together that there is going to be funding. If there is excess funding, we will be able to modify that contribution rate up or down as we see it. Right now we are obligated by union contracts to the next couple of years contributions.

Mr. Becker said on the revenue side is interest earnings and some will have to be amended. In the current year estimated, we anticipate $2,000 of interest income. We have not had the use of those monies until probably eight months into the year, and we anticipate the interest income for the budget year coming to be $12,500. The proposed budget amendments will raise the projected fund balance at June 30, 2002 to $332,000 as opposed to $317,500.

COUNCIL DISCUSSION:

Mr. Brawner inquired regarding being able to invest more aggressively in mutual funds and stock.

Mr. Becker said one of the provisions the Council approved, was an investment committee comprised of the Assessor, Personnel Director and myself. We have the ability to leverage outside investment people and we currently made the decision to utilize Merill Lynch as our investment people. They did the investment work on the old pension plan we still have in place, and they passed on extremely low management costs. It was less than ½ of 1% management fee to maintain.

Mr. Brawner asked if there will be a line item next year or interest.

Mr. Becker indicated just the actual interest income or loss.

Mrs. Tinnin asked if the $24,000 is the estimated amount for three retirements.

Mr. Becker stated he figured two people with double coverage, one person with single coverage, and an unidentified one at double coverage. The contract provided for 100% funding of a single health insurance, 80% for a two person, 50% to 60% for a family. The current family rate is $8,500, a two person rate is approximately $7,260, and the single person rate is about $3,700 to $3,800.

SEWER DEBT FUND

Mr. Becker said there has been brief discussion on property taxes and how they apply to certain budgets. This is one we are proposing the millage rate drop from 1.9 mills to 1.7 mills. The revised numbers from the Assessor will cause some slight amendments to the revenue side. The current tax line item of $835,800 will be increased to $843,900 and the delinquent tax number will be $126,100. The deficit for the coming year of $35,000 will be reduced to $26,000. In the fund balance summary, the projected fund balance at 2002 of $119,000, will now be $129,000. We spoke of potentially reducing it another tenth of a mill, which is $57,000 in tax revenues. It will cut our fund balance in half. I am still apprehensive to cut it back more then the two tenths that is proposed. We still have Consumers Powers that have a couple of property tax appeals outstanding. If there are any retroactive payments back to Consumers it would affect the Sewer Debt Fund as well.

Mr. Becker stated that in reference to Sewer Bonds, next year's obligation will stay about the same. Instead of $1,055,000, the coming year will be $1,033,000, and after that it will begin to reduce considerably. We have five pieces of Sewer Bonds that are outstanding with the County. Some of them expire in 2004, although some still go to 2008.

MAJOR STREET CONSTRUCTION

Mr. Becker stated for the Street Budget at the next session, we have one bond issue currently outstanding with Major Streets. That was the bond issue that renovated some of the newly acquired roadways from the County. It is a 15 year bond issue that does not mature until the year 2013. The year beyond next year's bond and interest payment will go to $254,000 which is a slight increase in the coming year. The payments for this are completely funded by contributions from Major Street. State Act 51 limits how much we can bond for. We can bond for as much as 45% of our annual Act 51 revenues, and we are well below that particular point in time.

Mr. Becker said at the next Wednesday's budget session, they will discuss Water, Sewer, Major Street and the Motor Pool.

MEETING ADJOURNED AT 4:43 P.M.

jra