CITY OF BURTON
COUNCIL WORKSHOP MINUTES
MAY 16, 2000, 3:00 P.M., COUNCIL CHAMBERS

THE COUNCIL WORKSHOP IS CALLED TO ORDER BY BOB CENTILLI AT 3:00 P.M.

MEMBERS PRESENT: Hammon, Martinbianco, Centilli, Tinnin, Cross, Zelenko

MEMBERS ABSENT: Brawner

OTHERS PRESENT: Mayor C. Smiley, J. Major, DPW Director, B. Becker, Treas./Controller
J. Adams, Clerk's Office

PURPOSE OF THE MEETING: COUNCIL WORKSHOP TO DISCUSS THE PROPOSED 2000-2001 CITY OF BURTON BUDGET.

1. Capital Improvements
2. Rubbish
3. Community Development
4. Special Assessment
5. Self-Insurance
6. Sewer Debt

PRESENTATION:

Mr. Becker said most of the items on today's agenda are for the most part combinations of departments. Some of the items you have already taken action on and some are predicting what will happen as far as year end transfers.

Mr. Becker stated further, the Burton Downtown Development Authority has finished their budgetary process as of yesterday. Late this afternoon he put a copy of the proposed budget in the City Council's mail boxes. Chairman Richvalsky said if you have any questions he is available to talk to anyone.

Capital Improvements Pg. 14

Mr. Becker said some of the line items are old carryovers and several are new items. The old items being the EDC pamphlets, voter file equipment and Parks & Recreation grant match for Kelly Lake. They have historically remained in the capital improvement budget. EDC has been an allocation that has been there and set aside for the purpose of a City-wide economic development pamphlet. It fell short of what was anticipated and we retained a third party to attempt to sell advertising in order to offset the cost of those pamphlets. The money will remain earmarked until the Council decides to do otherwise.

Mr. Becker said in addition to this $2,000, there are a couple of other donations. When Wal-mart was first built, part of their public service commitment was to contribute money and that is still set aside as well. There is one ad payment of $500.00 from Courtland Center and that remains unspent. For voter file equipment, the touch screens were sold several years ago. The Council made sure the proceeds were to be spent only on voter file equipment. The Clerk bought a number of lap top computers with a major portion of that, and $5,400 still remains.

Mr. Becker said regarding the Kelly Lake allocation in last year's budget, originally there was a $12,000 to $13,000 match that was first put into the grant. By Council action it was reduced down last year to reflect the $7,000 figure.

Mr. Becker stated the Parks & Recreation budget had approximately $25,000 set aside for the Veterans Memorial. They have since re-directed that to say they only need a sprinkling system there, and that has been recently committed to. He thought at that point in time to re-direct any left over monies this June with Council action, to capital improvements to not lose that allocation. The same holds true with the Davison Road Side Park. There was an allocation in the current budget of $26,000. Since the meeting last Wednesday, and the minutes of the Parks & Recreation meeting, both of those allocations have been redirected. The Veterans Memorial residual was going to be used for improvements at Fire Station #2 park and the residual left from the Davison Road Side Park was going to be used for improvements at Kelly Lake.

COUNCIL DISCUSSION:

Mr. Martinbianco inquired regarding the City Hall expansion and if a sinking fund for it has begun.

Mr. Becker indicated $5,000 was authorized to do the preliminary architectural plans to decide how big of an expansion we need, the cost and what we can afford. The intent was to fund up through a Burton building authority bond issue. That would require a lease payment from General Fund to offset those bond and interest payments. There will be a cost to General Fund and what it will be is still premature yet to know if we are looking at a million dollar bond issue that could cost $60,000 - $70,000 a year in bond and interest payments, or a 2 million dollar project. It will certainly need additional costs and at this point in time, it will probably be purely a fund balance issue. Mr. Becker spoke further regarding handling lease payments.

Mr. Martinbianco commented that where those projects are either going to be on-going or in the process stage, there should be dollars set aside and can only be spent on those project line items unless the City Council feels fit to transfer to other projects.

Mr. Becker stated this budget is approved on a line item basis, so we cannot move from spot to spot.

Mr. Martinbianco inquired regarding the grant match and a rollover amount of $7,050.

Mr. Becker responded that last year at budget time, approximately $12,000 to $13,000 was for the match for the very first grant proposal. We did not know if we were going to get approved for that grant, so we decided to move it to capital improvements so it would not lose its identity. We went to the grant on two occasions and was turned down. So he came to the Council last year as part of the capital improvement budget and asked if we are going to pursue Kelly Lake at that point in time, or unallocate the $12,000 and earmark it for some other park project. It was the Council's pleasure they wanted to retain some amount for Kelly Lake but they reduced the amount down in trying to come up with additional dollars to begin to fund the Parks & Recreation Director's salary.

Mr. Martinbianco inquired regarding the Davison Road Side Park, and the commitment of $20,000 that still represents a reduction.

Mr. Becker said to his understanding, the $26,000 allocation has been re-directed to Kelly Lake.

<u>Rubbish</u>

Mr. Becker said the garbage contract was re-negotiated and extended. Currently, as of April 30th , we have 10,137 stops we are paying for. He is projecting the stop total will increase at June 30th to 10,165, and further increase at June 30, 2001, by another 110 stops to 10,275 stops. It is based somewhat on the continuing growth of new residential building permits we have had in the past couple of years.

Mr. Becker stated further, the interest earnings on the fund balance was $63,000 last June 30th, and the curbside recycling income is comprised of two things. The contract provides for actual recycling revenues the company receives from the recycling, or $500 per quarter, whatever is greater. The recycling market has diminished dramatically from a price standpoint, and in the last couple of years the $500 per quarter is what we have been receiving. In addition to that, we are selling re-cycling containers at $6.00 each generating revenue.

Mr. Becker spoke regarding the issue of leaf bags. He said we have been accounting for the garbage bags through the Local Street budget, and have been selling them for 15 cents, which is about what we have been buying them for. So there is really no impact on the Local Street budget. We went through approximately 10,000 plastic bags a year, and now with the paper sacks there is a whole new set of variables. The costs are in the 26 to 27 cent range and the capacity is about a third of what the plastic bags were. So instead of possibly using 20,000 plastic bags a year, we could potentially use 60,000 or more paper sacks a year.

Mr. Becker said this budget will have to be amended to funnel the cost of the new paper leaf sacks through this budget. The issues are if we going to pass that cost through, or subsidize that cost. Sixty thousand paper bags at 28 cents will amount to just under $17,000 a year. Mr. Becker spoke further of different variables.

Mayor Smiley said he thinks the paper sacks are a great idea, we should order the bags and he feels we can get 60,000 at a time for less then a quarter a bag and continue to sell them for 15 cents . We should pick up that shortfall. It is something positive for our residents and benefits most residents. We do not have a choice, our company is phoning constantly that they do not want plastic bags out there. Either we help the residents or close our eyes.

Mr. Major said residents can still use the plastic bags for garbage.

Mayor Smiley feels it is fair to subsidize and stated it is not unusual for us to do that. He does not believe we should deplete that money, if it goes anywhere it should go back to General Fund. In 1989 and 1990, General Fund transferred $113,000 to pay a deficit for the garbage. In 1991 we transferred $42,000 out of General Fund to pay the garbage. We do not do that anymore, we changed the mechanism and formula and now have a surplus. Mayor Smiley stated we need to move quick because we will be out of bags and residents will be upset. If Council decides to go this route and subsidize, they should show drivers licenses.

Mr. Major indicated they are having them show their drivers licenses.

COUNCIL DISCUSSION:

Mr. Martinbianco said there has been a lot of comments we should be in the business because we always sold plastic bags. This is a different situation. One of the largest paper mill manufacturers of that type of bag, called the Duro Paper Co., in Elkhart, Indiana, cannot furnish, or will furnish only on a limited basis, because the City of Los Angeles contracted with them for 2.8 million bags. That means the bags are going some place and I am sure it was a market driven decision to sell that quantity and guarantee the delivery, but they did it to a municipality as opposed to moving forward into private enterprise. Many of us out there was a little disappointed in that decision.

Mr. Martinbianco stated further, another thing that seems of unfair trade practice is the fact we would be using all of taxpayers dollars to subsidize something not everybody is going to take advantage of. Mr. Martinbianco spoke further of intrusion into private enterprise and concern of businesses. He inquired regarding accounting for the sale of the bags.

Mr. Becker said the DPW has a $25.00 cash box and receipts are brought up daily to the Treasure's Office at City Hall based on the number they sell.

Discussion followed at length regarding the selling and costs of the bags, decision of whether to continue to sell to residents. Mrs. Zelenko said she feels it is a service to residents that we should continue to provide at least on a temporary basis. Mr. Centilli spoke in agreement.

Mr. Hammon said he does not feel we should be competing with businesses and we should not be subsidizing. The prices are going up and we are being forced into it, and that is the explanation you give to residents. It is an expense that people that are environmentally conscious should understand.

<u>Community Development</u> Pg. 18

Mr. Becker said Community Development has already been acted on by City Council. He briefly reviewed the items on page 18. The south end water line improvements is a combination of a couple of years of Community Development allocations. This project will be done this summer. Street improvements is a combination of 1999 and 2000 allocations, Senior Citizens is strictly the 2000 allocations for salary and fringes for the Director's salary. Fire Equipment is self explanatory, and the Parks & Recreation is a combination of 1998, 1999 and 2000 allocations as well as the $16,000 re-allocated for the tornado sirens.

Special Assessment

Mr. Becker said there is about 85 current special assessments projects in some state of debt retirement. Some will soon be completely retired.

Self Insurance Pg. 129

Mr. Becker said we are currently in the third year of self insurance. Six to eight years ago, we were self insured, then it became cost prohibitive, and we went to Blue Cross through the MML. We stayed with Blue Cross/Blue Shield for a couple of years and those increases were double digits for several years in a row. We got back into the self insurance business. The first two years we committed a substantial savings of $250,000, compared to the comparable Blue Cross rate. The first year we had a good experience, the last year of that commitment which was last year, we had a very poor experience. We had a particular case that amounted to $185,000 for one particular dependent of one of our employees. The bad experience caused the current year re-insurance to dramatically increase. In the current year the rates went up about 20% because of that bad experience. This year the experience has gone back the other way and become a much more reasonable exposure at this point in time.

Mr. Becker stated further, our agent Larry Lounds, for union negotiations purposes has pursued other insurances to make sure we are in the right arena. We have pursued and received quotations from Blue Cross/Blue Shield and Health Plus to determine which direction to go. We have not projected any changes in fringe benefits in any of the union contracts.

Sewer Debt Pg 22

Mr. Becker said they have tried to reduce that millage. The taxable value continues to increase, this year we put a 6% adjustment for the taxable revenues in those budgets including the debt retirement budget. For the most part the bond and interest expense continues to be at a same pace year after year. The expenditures last year was a million one, this year a million ninety thousand. With constant cost and increasing revenue, you would expect the millage rate to continue to diminish. We suggest it be reduced by a tenth of a mill to 1.9 mills, and that still would leave us a fund balance at June 30, 2001 of $113,000.

Mr. Becker spoke further, that there are five different series of bond issues. The two of those five retire in the year 2004. One retires in 2007, and the other two remaining expire in 2008. We will have a continuation of at least a million one or so bond and interest payments for the next couple of years. When 2004 comes, we should have some substantial reductions further in the millage until we completely pay off that debt.

COUNCIL DISCUSSION:

Mr. Martinbianco inquired regarding the building on the next phase of the sewer.

Mr. Major spoke regarding the City of Flint's reduction of population, their treatment facility and the question of needing their interceptor system.

MEETING ADJOURNED AT 3:12 P.M.

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