CITY OF BURTON
COUNCIL BUDGET WORKSHOP MINUTES
MAY 16, 2012, 4:00 P.M., COUNCIL CHAMBERS
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The Budget Workshop was called to order by Finance Chairman Vaughn Smith at 4:15 p.m.

MEMBERS PRESENT: Smith, Heffner, Ellenburg, O'Keefe, Haskins, Martinbianco and Wells.

MEMBERS ABSENT: None.

OTHERS PRESENT: Mayor P. Zelenko, S. Warren, Director of Human Resource/Labor Relations, G. Burke-Miller, Controller, L. Young, Clerk's Office.

PURPOSE OF THE MEETING: Council Workshop to discuss the Proposed 2012-2013 City of Burton Budgets, as follows:

1. **City Hall**
2. **Building**
3. **Zoning Board of Appeals**
4. **Planning**
5. **Rubbish**
6. **Community Development**

PRESENTATION:

Ms. Burke-Miller introduced Mike Strader from MERS.

Mr. Stader went over the City of Burton's history with MERS and changes that have been made over time. He explained the factors contributing to the increase in the percentages of each of the divisions within the MERS plan, including funding requirements.

Mr. Smith asked who was responsible for taking on such an obligation.

Mr. Martinbianco said in the past during negotiations, employees did not take a wage increase in lieu of the extra contribution by the City.

Mr. O'Keefe asked what happened to the assets when the defined contribution program was closed.

Mr. Strader said those assets remained in the plan. The employees left those in that plan or rolled them over into an IRA or something similar. A rash of retirements compounded the problem of more money going out than in. This caused lower funded levels and higher contribution rates.

Officer John Owens, 4090 Manor Dr., said former employees retired 100% funded with no contribution.

Mr. Haskins asked who was responsible for putting this plan together.

Mr. Strader explained there were certain groups who came in and then benefits were added, then the increase liability rolled into the unfunded liability. There are fewer people who are paying an employee contribution rate.

Mr. Wells asked how many other municipalities joined at the same time as Burton.

Mr. Strader replied about three to seven.

Mr. Wells asked what options we have.

Mr. Strader said the Bridged Benefit is the best option. It controls the growth of future liabilities or gives a benefit enhancement on service going forward, without bringing all the prior service up to that high multiplier level, creating an unfunded liability.

Mr. Martinbianco said we should look at what other municipalities have done.

Mr. Strader said the current unfunded liability is $22,761,018.00, which breaks down to $16,500,000.00 for retirees, $5,960,916.00 for active employees and $300,000.00 for past vested employees.

Mr. Smith said there are two factors that come into play including the rate of return and the amount of people drawing.

Mr. Strader said the contribution rates should go up to 5 to 10%.

Mr. Martinbianco asked if MERS would be required to rebate money back to the contributors.

Mr. Strader said the Administration fees that are charged to the plan are 36 basis points.

Mr. Martinbianco said 36 basis points is ridiculous.

Mr. Strader said MERS is actually very competitive. The actual fees and costs are cheaper through MERS. The investment fees go back into the portfolio.

Mr. Haskins said whoever allowed this plan should be prosecuted. The retirees are on the backs of the current employees who are working for their own retirement. Their pension plan is now being changed in the middle of their service.

Mr. Strader said in 1996 the City was 17% funded and is now 45% funded. MERS has funding requirements in place to meet benefit enhancements. They will administer the plan by what has been collectively bargained as long as it follows the guidelines of the plan doctrine.

Mr. Smith said 17% is not that great of a number for all the people that were drawing at the time.

Mr. Strader said if you could go up twenty points in twenty years you are in a good position.

Mr. Smith said we are behind because we took on the obligation without the money.

Mr. Strader said as long as you are going upwards over time, you are on the right track.

Mr. Smith said if we are in a good position why are our payments going up by so much.

Mr. Strader replied the City has fewer people working and has not replaced the people who retired.

Mr. Martinbianco said the trend in Michigan is lower property values. With fewer employees they are saddled with the responsibility of the retirees.

Mr. Strader said the Bridged Benefits program is the only thing that will have an immediate impact on funding levels and contribution rates. The other option is lower defined benefits for new hires. The next option is a hybrid plan, which is part defined benefit and part defined contribution. There is another plan design, but it is not an option, which is defined contribution. To be eligible, a municipality must be 80% funded. The amortization schedule is at twenty-eight years and shrinks two years every year, until you reach a rolling five years.

Mayor Zelenko said the bargaining units are talking to administration and each other about what they can do to help.

Mr. Strader said another option is to just put all new hires into one division regardless of bargaining unit.

Mr. Wells said in recent years the City bought out long serving employees.

Mayor Zelenko said that was the prior administration and she has no intention of doing that.

Mr. O'Keefe asked if new hires were in a different program, how much would it help.

Mr. Strader said it doesn't really impact what is going on today. It only controls the future cost for that employee. The Bridged Benefit has the largest impact.

Mr. Haskins asked how that affects current employees.

Mr. Strader said it would have a larger impact on someone who is farther away from retirement than someone who has only a few years to go.

Mr. Wells said there was a MERS representative that came to the City a couple years ago who said we were in good shape.

Ms. Burke-Miller said we have one hundred and sixty-eight participants, including eighty-four active employees, and eighty-four, which fall in retirees and former vested employees. Of those that have left seventy-two are drawing benefits and twelve are vested.

Mr. Strader said the City has sixteen more retirees and fourteen less active employees than in 2009.

City Hall, Pg. 32

Ms. Burke Miller read the proposed budget for City Hall. She explained that the receptionist and a small portion of maintenance are included in this budget. There was a floater working as receptionist for a while because of layoffs.

Mr. Smith asked about information technology supplies.

Ms. Burke-Miller said it is spread across the different divisions within the General Fund. It is done on percentages, which are the same percentages that were used by Karen Foster and Mark Udell. The current year has to do with the MERS increase for Mark Udell and the CSI leasing.

Mr. Martinbianco asked why it wasn't included under the fringe benefits.

Ms. Burke-Miller said within his Information Technology fund there is a line item for expenditure for his fringe benefits, however everyone else funds him.

Mr. O'Keefe said the fringe benefits should be broken down.

Ms. Burke-Miller said you have expenditures on him and he doesn't create revenue, but you have to have a balanced budget. A lot of the funds are interlinked. Within the BSA software, she can drop the numbers nicely, but it is good to put it into an excel spreadsheet. The employee portion of retiree health shows up as a liability on the general ledger and then gets paid to the Merrill Lynch fund.

Mr. Martinbianco asked about the equipment rental line item.

Ms. Burke-Miller said she was informed it was because we did not have a Memorial Day last year.

Building Pg. 18-19

Ms. Burke-Miller read the budget for the Building Department.

Mr. Martinbianco asked why weed cutting was duplicated in the budget.

Ms. Burke-Miller explained it has always been in the budget in both places.

Mr. Martinbianco explained in the past it was from the cutting of City properties and the billing of private properties.

Mayor Zelenko stated the City used to be, but is no longer, reimbursed for Land Bank properties.

Ms. Burke-Miller explained a portion of the salaries of Greg Kray, Liz Moss, Sue Warren and herself get paid out of that budget. Amber Frost and Stewart Worthing are included, as well.

Mr. Martinbianco asked for a breakdown of those salaries and percentages.

Ms. Burke-Miller said she has given them an allocation sheet.

Planning/Zoning, Pg. 36

Ms. Burke-Miller read the budgets for Planning and Zoning.

Mr. Martinbianco asked how much we pay our Planning and Zoning Boards. He thinks they should have a $10.00 per meeting raise.

Ms. Burke-Miller said the extra money in the conferences and workshops were to cover Amber Frost's attendance at seminars.

Rubbish, Pg. 16-17

Ms. Burke-Miller said the Mayor thinks there is still three more years left on the contract with Waste Management. She read the budget for Rubbish.

Mr. Martinbianco asked how many stops are in the City.

Ms. Burke-Miller said a little over 10,000.

Downtown Development Authority, Pg. 24

Ms. Burke-Miller read the budget for the Downtown Development Authority. They are going to have their hearing on May18, 2012 at 9:00 a.m.

Mr. Martinbianco said with the large balance in their budget they should be paying towards police protection twelve months out of the year.

Mr. Heffner said he would like to see some money to help fix up the Argue house.

Ms. Ellenburg said $20,000 would fix up the house.

Mr. Heffner said it would be a home for the DDA, Chamber of Commerce, and Historical Society.

Ms. Burke-Miller said we get Community Development money. Last May she went to the County and signed off on Community Development dollars, which was $17,000 for the Senior Center.

Mayor Zelenko said HUD has not passed a budget and we will not know anything until August. The 2010 Census figures have to be redone.

Mr. Martinbianco said the final budget amendments would be on May 30, 2012 at 5:00 p.m.

Meeting adjourned at 6:30 p.m.

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