CITY OF BURTON
SPECIAL COUNCIL MEETING MINUTES
OCTOBER 26, 2004, 4:00 P.M., COUNCIL CHAMBERS
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Danny Wells, Council President, called the Special Council Meeting to order at 4:00 p.m.

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

MEMBERS ABSENT: Curtis

OTHERS PRESENT: C. Abbey, DPW Director, R. Hamilton, Attorney, J. Adams, Deputy Clerk

PURPOSE OF THE MEETING: Review and Possible Action Regarding the City of Burton Resolution for a Tool & Die Renaissance Recovery Zone for Schmald Tool & Die, Inc.

PRESENTATION:

Royce Mashburn, General Manager of Schmald Tool & Die at 4206 S. Saginaw St., Burton, stated he is here on Schmald President Laurie Moncrieff's behalf. She has campaigned heavily in Washington over the last four years in efforts to strengthen the manufacturing base and bring awareness to the manufacturing depletion in our country. She has done so by getting the attention of federal level and the Michigan level of government. Michigan government put into place a coalition to create this renaissance zone. The idea is to preserve jobs and maybe get some attention on an upper level in Washington that the tax incentives they are giving large corporations to move offshore and not spend their money here where purchasing dollars is really what we need in every community so we can all have more jobs. It is essential to obtain the recovery zone for their company to help them be competitive, even on a State level.

Mr. Mashburn gave a brief history of the Schmald company and spoke further regarding the coalition, their goals and the impact to the community.

AUDIENCE PARTICIPATION:

Pauline Dargel, 6119 Hugh St., Burton, MI, inquired regarding the way the recovery zone functions, criteria, difference between an enterprise and recovery zone, abatements the city has provided, and if there is a timeframe.

Laurie Tinnin, 2340 Harmony Dr., Burton, MI, expressed the lack of public knowledge and information on the renaissance zone. She addressed concerns regarding the city affording tax abatements and the impact of the recovery zone.

COUNCIL DISCUSSION:

Mr. Martinbianco said he would have liked to see someone from the Michigan Economic Development Corporation pitching this to us as well as other municipalities. He shares several concerns of the erosion of tax base. Mr. Martinbianco commented regarding the timetable stating not to exceed 15 years, economic conditions, and information obtained from the Michigan employment outlook in the tool & Die industry compiled from 2003. He read aloud some of its findings. Implementation of the abatement, tax consequences, commitments, and expectations was addressed further by Mr. Martinbianco.

Mr. Wells indicated both he and the Mayor have asked questions, called other communities and investigated this for the last 5 days. We both feel it is not a good piece of legislation and we should not be involved in this at all. Through the Mayor's involvement with MML, he has created some questions for other communities. There are varied philosophies if we do or do not do this.

Mr. Isham stated 7 million dollars is generated through this community from Schmald Tool & Die's business and employees. We have seen the erosion of manufacturing jobs and the jobs that are associated to manufacturing. For every manufacturing job that is loss, it impacts 5 other jobs. Legislation is before us and we have to protect what a valuable resource this firm is in the community.

Mr. Martinbianco spoke regarding the impact to Bendle School, State Shared Revenue fund, and the long term effect of economic benefits. Mr. Martinbianco praised Ms. Moncrieff for her capabilities as owner and chief executive officer, and the many things she does for the community.

Brief discussion ensued regarding other businesses that need relief as well. Mr. Martinbianco raised the question at having the entire section of Saginaw Street declared a renaissance zone.

Mayor Smiley said 5 years ago that area qualified for the enterprise zone. He felt strongly then as he does today that it is not in the City's best interest to create an enterprise or renaissance zone. The Mayor spoke further regarding Proposal A's purpose to make businesses more competitive in our country. This one area if tax exempt for up to 15 years would be at a cost to the city of about $8,000. He cannot support that and there are a lot of unanswered questions. If this is granted, you lose all control and it now goes to MEDC. They would decide where the enterprise zone is. Mayor Smiley said there are 20 enterprise zones that could have 800 tool and die factories. He does not know how many are in Genesee County. He stated you still need the cooperative agreement which is two separate issues.

Discussion continued regarding details of a renaissance zone. Mayor Smiley said the city has no recourse and you are locked in. If in 5 years the company should start booming, which we hope they do, you cannot go back and pull that enterprise fund. We at local government cannot continue to take this hit year after year. Mayor Smiley stressed we do not want to lose any jobs what-so-ever, but we are in the business of providing service, and paying for employees. How can I justify supporting a tax free status while laying employees off, or to the homeowner that is losing their home, the senior citizen that is less fortunate. What assurances do we have, how do I know that after 5 years, or 10 years they don't move out of the state.

The Mayor expressed there are things that can be done on a state level. He spoke to MEDC again today and the General Treasury. He re-iterated this issue has been discussed in great depth. He spoke to many city managers and other mayors, and it is a tough issue. I don't think this is the answer to the problem. He asked MEDC for some help here and to see a game plan. Mayor Smiley indicated this meeting did not require a public hearing.

Mr. Abbey said there are others in our community in the same situation. Pro-tec, Lloyd's Tool & Die and others, where do they fall into this. The competition level is the same for them as well. We all sympathize with the situation Schmald is in. However, there are others that are doing the same type of work that are facing the same challenges.

Mayor briefly spoke regarding the tax abatement process and certain conditions that are granted they must live up to in order to maintain their tax abatement status. We have the right if they don't live up to their obligations to pull that. We do not have the right in this situation, there are no conditions. They don't have to show financial difficulty according to the MEDC. They only need to have their cooperative plan that basically says they have to communicate and work together.

Mr. Martinbianco indicated he thought they would see some financials from Schmald.

Mayor Smiley said it is $100,000 for the total tax picture to Schmald. Is the money to be used for re-tooling, re-training, or networking. I want to know what they are going to use that money for, but we don't have the rights.

Mr. Martinbianco stated there does not appear to be any guidelines either.

Mr. Abbey stressed he does not think this is the cure-all or the thing that will save those businesses. We are very sensitive to the industry's blight. This is a national and state issue. There are long ranging implications of what we do or do not do here.

Mayor Smiley said the renaissance legislation was put in place to attack blight and depressed areas to try an rejuvenate a particular area of town. This is not the case at all, nor the answer.

Mr. Cross inquired regarding the number of tax abatements Schmald has received from the City. Mr. Mashburn replied currently he knows of two that are in affect.

Mr. Cross said he sympathizes too, but we cannot give up the whole ship. They have been given tax abatements.

Mr. Isham said for the record, he did not support Proposal A and feels it is bad legislation. There has been no section that has been hit harder in this state than manufacturing. The amount of $8,000 seems like a lot of money but he is willing to give that up to see 7 million go through the community. He is not willing to risk having this small firm go out of business. They have been a good partner with the City of Burton for 56 years. When people are working they are spending money, that is a given. If you don't have a job, you are not spending money.

Mr. Centilli inquired regarding the number of employees that work at Schmald.

Mr. Mashburn stated 33 employees, seven of those living in Burton. Every one of our employees frequent the gas stations, restaurants, and not to mention the multiplier effect is the purchasing power we are buying from other businesses within this community. Even businesses outside this community come in to spend money here, because we are here.

Mr. Centilli asked if the company did not receive the renaissance recovery zone, might they go elsewhere.

Mr. Mashburn said it would help our viability as a company. Over long-term, this money could be used for education, training, and equipment that we dearly need.

Mr. Centilli expressed Mr. Abbey stated there are a lot of other companies that are not doing good as well. So where do we stop if we start. With 4.7 mills how could we even afford it to begin with.

Mr. Martinbianco asked if the State thought of using part of the Michigan Strategic Fund.

Mayor replied it was not discussed. They are offering 20 zones and the due date is Friday, October 29th for applications. If they don't receive 20 zones, they will open it up again for another application process.

Mr. Wells asked if the company has taken cuts on their profit sharing.

Mr. Mashburn responded yes. They use to have a match in the 401 K plan and that is gone, we are also paying 40% of health care. We have shortened hours over the years and have had to lay off employees. I know there is still money moving through the community.

Mr. Wells stated in the 3 weeks we have been talking about this issue, I have done some homework. These are the ramifications you have to take into consideration because there are intangibles out there involved with everything. My company alone in a year and a half had over a thousand of our customers and suppliers go out of business. From Michigan, Ohio, Indiana and Pennsylvania. When they went out of business, they could not pay their bills anymore. My employer got stuck with $20,000 here, $30,000 there that they cannot collect. That pulls businesses hanging out on the edge into the vacuum. Where do those people go. They go on unemployment or some kind of government aid. Where does that government aid come from, tax money.

Mr. Wells stated further, we are building houses all around this community. How can we ask people to come into Burton when we are letting jobs slip away. In my opinion, we have a good solid company in the middle of Saginaw Street where there are buildings closing all around them. I don't want to create another hole. I may be wrong and are willing to accept that if I am. When they had to lay 10 people off, Pumperniks Bagel Factory went out of business because they depended on them for lunch. The Admiral Station owner next door said he depends on these guys to come over and buy cigarettes and gas. Tia Heleta's Restaurant owner said they depend on their business. Now we are going to take 32 more people out of the mix and 1 ½ million dollars in payroll. You are going to see an impact that will be felt. Houses in Burton are going to set empty.

Mr. Wells expressed seven years would not be too long. Give 4 years of tax abatement, the 5th year we would get 25% back, 6th year 50% back, 7th year 75% back and the 8th year hopefully, they would be back on track.

Mr. Martinbianco asked Mr. Mashburn about a timeframe to make them more competitive.

Mr. Mashburn said the optimum time was roughly 10 years with a 15 year abatement. Some of the companies may have been a little sooner given the individual's re-investment of their own business.

Mr. Martinbianco spoke regarding the application process and addressed the problems in future rounds of granting to one and not to others, and in not extending that same courtesy.

Mr. Abbey said in the way we understand this legislation, they would pare them up with others of the same number of years. We heard today of 6 years that was granted.

In summary, Mayor Smiley re-iterated the legislation was poorly written. No one wants to see anyone lose a job. They just closed the doors of Daniels Chophouse in Burton. Mr. Cross stated he feels this would only be a band aid and not solve the problem.

COUNCIL ACTION:

Isham moved and Bement seconded the following motion:

1. Approve and authorize the adoption of the resolution for a Tool & Die Renaissance Recovery Zone for Schmald Tool & Die, Inc. for a duration of 7 years.

Motion failed, 3-3. Cross- no, Centilli – no, Martinbianco – no.

Meeting adjourned at 5:12 P.M.

jra