CITY OF BURTON
SPECIAL COUNCIL MEETING MINUTES
MARCH 25, 2013, 5:00 P.M., COUNCIL CHAMBERS
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The Special Meeting was called to order by President Tom Martinbianco at 5:00 p.m.
MEMBERS PRESENT: O'Keefe, Ellenburg, Heffner, Smith, Haskins, Martinbianco and Wells.
MEMBERS ABSENT: None.
OTHERS PRESENT: G. Burke-Miller, Controller, Mayor P. Zelenko, S. Warren, Human Resource / Labor Relations Director, D. Bingaman, Treasurer and J. Anderson, Clerk Typist.

PURPOSE OF THE MEETING: Adopt a Resolution for a Shortfall Elimination Plan to be attached to the 2011-2012 City of Burton Audit.

PRESENTATION:

Mrs. Burke-Miller explained they had auditing adjusting journal entries that occurred and in one case we had a shortfall. She said the Self Insurance fund has a shortfall of $7,001, and the State requires that we come up with a deficit elimination plan for both funds. She believes the solution is to raise the health insurance illustrative rates by 2%. According to Plante & Moran, increasing the illustrative rates for purposes allocating out those costs should be sufficient for the State.

The Revenue Expenditure Report shows for the period ending June 30, 2012 we brought in revenues of $867,765 and had expenditures of $876,342. The beginning fund balance for the Self-Insurance Fund was $1,576 so the remaining ending fund balance was $7,001.03. For the period ending February 28, 2013 it shows the ending balance was $736,708.79. The expenditures were $76,708.79 so the two net out perfectly and we still have the beginning fund balance of a negative $7,103 and an ending fund balance of $7,103. By increasing those rates she believes we can get rid of the shortfall. She referenced discussion of hard cap versus 80/20 from December 2012 stating she let everyone know from the 2010 and 2011 fiscal year we paid $71,610 less. Our total out of pocket for health insurance was $955,468. Our total payment for this upcoming quarter is $405,234. Our total out of pocket within 2012-2013 is going to be $1,115,553.

Mrs. Burke-Miller said the Special Fire Fund has a shortfall of $45,886.37. There were 2 audit adjusting entries. One for deferred revenue of $24,558.47 and an allowance for uncollectible taxes of $54,699. She suggested Council transfer funds from General Fund Unappropriated Surplus of $85,000 because when those accruals went in they were roughly $80,000.

The revenue expenditure report for June 30, 2012 shows a total of $818,399.27 and the total expenditures are $864,285.64 and the ending fund balance is a negative $45,886.37. As of February, we have brought in $1,192,643.91 for taxes. Expenses so far are $723,757.19. Ending fund balance as of February 28, 2013 is $423,000 to the positive. We are not in a deficit situation. She said we need to adopt a deficit elimination plan in order for us to upload to the State.

AUDIENCE PARTICIPATION: None.

COUNCIL DISCUSSION:

Mr. Smith said he received many calls from the Council concerning his conversation with Tadd Harburn about a third issue. He asked that Mrs. Burke-Miller go through where we are at today.

Mrs. Burke-Miller said another reason this was delayed is because she was not notified there were three deficits but she was able to prove it was not a deficit situation. It was on the fire construction we have. She looks at what is still open as far as the contracts and accrues in that dollar amount, which was approximately $184,000 for what we owed DCC. The City received an invoice from DCC that was approved by the Fire Chief for $174,000 so when that was paid it was posted back to June 30, 2012 but this was already done a journal entry accrual so it got booked twice and threw us into a $109,000 deficit on that fund. She said that mistake was rectified and the accrual was reversed.

Mr. Wells said we went out for a bond on the fire station and can't understand how any of that got messed up. This is basically the first year of those payments. How are we $85,000 in the hole for the first year of the bond? Uncollectible taxes should have been figured into the bond payment.

Mrs. Burke-Miller said the bond payment has nothing to do with tax collection coming in. The 1 mil we went out for is not bringing in nearly what it had been when the City was considering a bond. It was $700,000, now it's roughly $530,000. This was known to her in the spring of 2011.

Mr. Wells couldn't recall a conversation indicating the City was off about $100,000. He said these figures are supposed to be in at the end of October.

Mr. Martinbianco said we knew awhile back that the bonds would bring in about $600,000. We missed the mark as far as where the tax charge backs came from due to the tax settlements through the tax tribunal.

Mr. Wells asked what this does to the contracts just finalized as far as raising the health insurance.

Mrs. Burke-Miller said we are allocating across all the departments in terms of our internal accounting for charging the fire department. She shows at the year's end the City will be $15,000 to the good.

Mr. Wells asked if we will have good numbers through April 1st when the budget is due in terms of the co-mingled stuff.

Mayor Zelenko said there is no co-mingled stuff.

Mr. Wells said both auditors indicated the City was co-mingling the funds and everything was going into a cash account.

Mr. Martinbianco said pooled cash accounts have always been done and there's nothing illegal about that.

Mr. O'Keefe asked what happens if this is not passed tonight.

Mrs. Burke-Miller replied then we can't file the audit. We should come up with an alternative if you are not happy with this particular idea.

Mr. O'Keefe asked the Mayor if she had an idea if we don't meet the State's timeline, what will happen to all the income that is supposed to come from the State.

Mayor Zelenko said the worst case scenario is about $30,000 that would be held until it is filed.

Mrs. Burke-Miller said MDOT would also hold about $300,000.

Mr. O'Keefe has an issue with making this decision since he hasn't even seen the audit, however he doesn't want the City to lose money.

Mr. Wells asked how much is in the General Fund right now.

Mrs. Burke-Miller said there is $2.7 million in there.

Mr. Wells said Mr. Harburn indicated in 2011 that pooling the money was not a good accounting practice and that reconciling the checks every 45 days would be proper. We didn't reconcile them for almost 16 months. We depend on Administration and professionals to give proper numbers.

Mrs. Warren said the insurance money is there and employees are paying their share. We did not budget appropriately in each of the fund areas and that's where the deficit came in. We put PA 152 in the contract that what Council voted on was what the Labor Unions would have to go with.

Mr. Bingaman said co-mingling funds is illegal according to the State but pooled cash is not illegal and that is currently what the City of Burton is doing.

Mr. Wells asked what the holdup was that we brought in Taylor & Morgan and 2 different temps.

Mr. Bingaman said all the cash goes into one account and is dispersed between funds through the system. He indicated the auditor's said as long as we had an accounting system that is capable of doing that it is perfectly acceptable.

Mr. Wells asked why Council wasn't notified about all this when it started happening.

Mr. Martinbianco said in December Tadd Harburn indicated in regards to bank reconciliation, Administration decided to bring someone in because of busy schedules and something happened in that transition time that either did not get done or got done incorrectly, which didn't give enough time to incorporate those audit numbers into the upcoming budget. Therefore, we were given an extension through the State and brought in additional help to get this completed.
Mr. Wells said they just went through the 2012 budget process and had no idea checks were never reconciled from October 2011. That should have come out during the budget process.
Mayor Zelenko asked if Mr. Vaughn explained to Mr. Wells that now the State wants these types of things before they want your audit.

Mr. Wells said Mr. Vaughn directed him to the website which states the deficit must be reconciled at the end of the fiscal year. If not, they can take up to 25% of the $355,000 we have out there.

Mr. Martinbianco said this situation couldn't be identified until all the forensic work was completed. We have always crossed departments and funds and it has all worked out. If we owed money and overshot marks, then we had to reconcile those things because we have to pay the bills.

Mr. Haskins asked where the leftover Fire Department money from 2011-2012 go.

Mrs. Burke-Miller said you have to look at the actual year to date numbers in column 2.

Mr. Martinbianco asked how the tax tribunals impacted the General Fund.

Mrs. Burke-Miller recalled about $132,000.

COUNCIL ACTION:

Haskins moved and Ellenburg seconded the following motion:

1. Approve and authorize the Mayor and Controller to Adopt a Resolution for a Shortfall Elimination Plan to be attached to the 2011-2012 City of Burton Audit for the Self Insurance Fund.

Motion carried 7-0.

Haskins moved and Heffner seconded the following motion:

2. Approve and authorize the Mayor and Controller to Adopt a Resolution for a Shortfall Elimination Plan for the Special Fire Fund to be attached to the 2011-2012 City of Burton Audit.

Motion carried 7-0.

Haskins moved and Heffner seconded the following motion:

3. Approve and authorize the Mayor and Controller to transfer from General Fund Unappropriated Surplus in the amount of $85,000 to the Special Fire Fund.

Motion carried 7-0.

Meeting adjourned at 6:30 p.m.

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