CITY OF BURTON
SPECIAL COUNCIL MEETING MINUTES
JULY 22, 2013, 6:00 P.M., COUNCIL CHAMBERS
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The Special Meeting was called to order by President Tom Martinbianco at 6:05 p.m.

MEMBERS PRESENT: Martinbianco, Heffner, Smith, Wells, Ellenburg, O'Keefe and Haskins.
MEMBERS ABSENT: None.
OTHERS PRESENT: S. Warren, Human Resource Director / Labor Relations, Atty. A. Boyle,
Chief T. Osterholzer and J. Adams, City Clerk.

PURPOSE OF THE MEETING: Discussion and possible action regarding the following:

1. **Additional MERS contribution for POAM and COAM**
2. **Case evaluator's award regarding I. Piske vs. City of Burton**

Mr. Martinbianco expressed Council to go into Executive Session under Sections 8c and e of the Open Meetings Act.

Ellenburg moved and Smith seconded the following motion:

Approve and authorize Council to go into Executive Session, under Sections 8c and e of the Open Meetings Act. Motion carried 7-0.

Council went into Executive Session at 6:08 p.m.
Meeting resumed at 6:45 p.m.

PRESENTATION: None.

AUDIENCE PARTICIPATION: None.

COUNCIL DISCUSSION: None.

Mr. Heffner asked what the total cost to the City would be.

Ms. Warren said as of right now it would be approximately an additional $130,000 depending on how much over time and extra bodies we end up hiring at the end of the year before we know exactly what the total is, but our guess-estimation right now is about $130,000.

Mr. Heffner asked if this is the limit, the highest it will go is $130,000.

Ms. Warren replied it will depend on how many officers we will be able to hire this year and the amount of overtime because the pension rate is based on all the actual dollars earned by each officer.

Mr. Heffner asked how many potential officers do we plan on hiring this year?

Ms. Warren said the plan is 6 officers by the end of the year. Right now we are ready for 3 and another 3 about mid-year down the road once we get the others trained and operational. We will have to go in steps.

Chief Osterholzer said bringing more officers on is based on the budget that was passed. He said 3 officers is the most they could reasonably train at one time and by the time those three are on their own it would be around November and they would go from there.

Mr. Heffner asked if this was a temporary fix.

Mr. Martinbianco said if you call it temporary one year which is the fiscal year which began July 1st through June 30th, if you would characterize that as a temporary fix, you could call it as such.

Mr. Heffner said we made promises to the officers to try and fix the MERS problem for them and he doesn't know how a 1 year fix is keeping that promise. We need to look more long term because a lot of these officers have less than 20 years of service. Some have just over 10 years of service and will be around a long time. He asked if we can do this every year.

Mr. Smith said he wouldn't recommend it. This is giving us a year to do decide what we are going to do. The City has structural problems that must be addressed. He will be voting for this because he has seen the results of losing your core group of people leaving all at once, or leaving institutional knowledge. I have seen that happen to an organization and it is not pretty. The City has very good officers and we don't want to lose them if we can help it. This buys us time to look for other solutions. Another thing he wanted to point out is when we were talking the budget we had 32 officers at that time. We are now down to 29 as of Friday. There is another angle to this. We are not paying for 3 officers right now because we don't have them or we won't be as of Friday so it will take a while to hire people and bring them up on board. So I believe that $130,000 is high because we are not fully operational as far as the total numbers at this point in time.

Mr. Heffner asked so no, we couldn't do this again next year?

Mr. Smith said we could but I hope we won't have to. One way or the other we should know where we are at.

Mr. Heffner asked what are we going to do to fix their problem long term?

Mr. Smith said we've got a year to figure that out. There is a long term problem, I agree with you. I just don't want to lose an experienced Police force while we try to figure that out or lose a portion of them.

Mr. Heffner said I don't think any of us want to lose any of them but the question is what are we going to do long term? Are we just going to keep passing these temporary fixes or take the bull by the horns and dig into this MERS problem? We talk and we talk and and we talk and nothing gets done.

Mr. Smith said if you take the Police out of the situation we are still at a $735,000 deficit. Last year we were at a $500,000 deficit. The year before that a $69,000 deficit, the year before that $388,000 deficit the last year Mayor Smiley did his budget. We have been cutting, cutting and cutting. We don't have enough left in the City to cut $735,000. I don't want to lose our City's Police force in the process of looking for what that solution is. So yes, we are asking for a year of time to decide how best to handle that. There shouldn't be a knee jerk reaction, you're right. It just buys us a year. Next year we are going to be looking at probably another, taking the Police out of it, if you want to look at it that way another $735,000 to $800,000 shortage. I don't have the answer. I don't believe we can cut that much without cutting Police and cutting Administration. And then how do you run a City? How do you have a safe City? That's what I see. You can disagree but that's what I see. I don't want to lose the neighborhoods. We could. I'm not saying we will but we could. We have a very violent city next to us. We have a lot of problems with drugs and I just don't see how having less Police officer's makes that a better situation for us in Burton. Or maybe it won't help us as much as we hoped but I know for sure less will not help us.

Mr. Heffner asked does anybody on this Council have an idea on how we can attack this MERS problem? Personally, I think we need to go back in time and see what was sold to the City. MERS came in 2006 and said our MERS program was healthy, the exact words of that MERS representative. It was healthy. Ask them how healthy it is. We need to go after MERS. We can talk about it until we are blue in the face but until we get off our rear ends and do it nothing is going to get fixed. We made promises and we've got to keep them. Mr. President, I don't know if you want to put a special committee together to go after this problem or are we just going to pass this tonight and let it rest for another year and come budget time next year, we are going to bring it up again and put another band aid on it?

Mr. Smith said we haven't been resting in the last year. We have been to our State Representative, our State Senator, we have met with the MERS people in here and Plante & Moran. This is a problem that didn't happen overnight. This started back in the early 90's but has grown to a big problem in approximately 25 years so we aren't going to solve it in a year. First of all MERS will not even admit there is a problem. They just raise their fees.

Mr. Heffner said he thinks they both agree MERS is waiting for the 7 of us to change out, get another new 7 in here so that the next 7 can discover the problem again. So my point is we have got to take this bull by the horns.

Mr. Smith said believe me we are working on it. I mean it's going to take time. It's probably if we have to, it's going to probably take money if we decide to pursue this. But you are right. I think Danny you have some copies there. Would you pull out that one from my meeting the other night, that packet.

Mr. Smith said this was handed out at the Citizen's Committee Meeting last Thursday. It is from Plante & Moran. An example of what we are looking at and keep in mind the situation we are in as the Michigan Constitution is now recognized, this money is owed. Whether it's being paid out by local elected Council or whether it's being mandated by the State, this money is owed by the residents. Barring something that, a change in the State law that so far hasn't happened, which just to touch briefly is what they are working on in Detroit. I don't know where it's going to end but right now as the law is today, the residents owe this money. These have been promises that were made and they will be fulfilled either by Council or a State representative of some type.

Mr. Heffner asked this promise you are talking about, it was made back in 1990 or 1991 by another Council?

Mr. Smith answered it was between 1991 and 1994 is when it was implemented. Now this is only through 2010 the unfunded liability was at $20,466,000. In 2011 it jumped to $22,761,000. In 2012 the unfunded liability jumped to $25,094,000 so you can see it's growing exponentially and for those of you who are not aware, in the public sector the income streams are the municipality that pays into the pension fund, the employees who also pay into the pension fund and then the results of investments of that pension fund on the equity and real estate they have. Our stock market is at record highs right now and we are still growing our unfunded actual liability so what happens when the next correction comes? As an example, our pension fund, the benchmark is you want to be funded at 80%. That's what you strive for whether it's a private sector pension or a public sector pension. In 2010 the federation was at 47.3. In 2011 it was at 45.1 and in 2012 it was at 41.7. I have only heard this verbally from our Controller but the amount for this year is now down to 39%. And once again this is going on when the stock markets are at record highs. I can't impress everyone enough this money is owed whether we are here or we have someone from Lansing, this money is owed. It's going to be paid one way or the other, and what's motivating me as a Councilman I would rather have the decision on how this money is paid be determined by locally elected officials rather than a representative or Governor Snyder coming in and telling us how we're going to pay for this.

Mr. Haskins said you can say the debt problem is this, it's that, it's everything but the bottom line here folks is no matter how you cut the mustard is the City, since it has been instituted as a city has been operating off 4.7 mills. It is 2013 and in 1972 is when that was adopted at 4.7 mills. No matter how you cut it that is the City's biggest issue at hand right now. You can say it's the Police you can say it's the pension fund, you can say it's this or that. He had proposed some cuts. He proposed Administrative spots during the budget that there wasn't enough support for it which is fine but on the back side of it this City cannot continue to operate off 4.7 mills. Look at the cost of gas, bread, milk and food. Everything else has went up but look at the cost of the housing market. The taxable values that the people have to pay into the City to keep the City afloat has went down. It has dropped dramatically but everything else has increased. No matter how you look at it that is the City's biggest problem is operating off 4.7 mills. Someway somehow we have to be able to get that changed and without getting that changed we are always going to be looking at hard times. We have to somehow work on getting that changed. That's the bottom line no matter what you look at here. Blame can be put anywhere and everywhere but the bottom line is the City can't operate off 4.7 mills at this point in time.
Mr. Smith said Mayor Zelenko gave him this the other day. This is a graph from the City of Portage website. I believe I sent one to Roberto and one to Tara to look at it. This was the City of

Portage showing how well they were doing off their mill rate. Mr. Smith asked Mr. Wells if he would go through how we are looking at it.

Mr. Wells said Mrs. Ellenburg could speak first.

Mrs. Ellenburg said that's why she's kind of putting up caution on this. She wants to help the Police officers out as much as possible but this is news. As you can see we have reporters, we have cameras and she is 110% behind this millage and that's what's going to help us and that's what's going to help you guys where if we can get this mill passed, that's where it's going to make its biggest effect on our City. I agree with Mr. Haskins. Running the City at 4.7% has been really tough and really hard and we are seeing it right now because we are scrimping every dollar trying to gather up. We have to go to the people and sell this to the people that this is what's important, this is how we can fix this and you're going to have to come up. Mr. Smith and Administration had set up some numbers of what it was going to increase people's taxes. I'm willing to do that. I know we had people at the meeting that she was just really surprised at how much they were willing to give back by paying on their taxes and this will help this. This isn't going to get us out of the MERS situation by far but it will definitely ease the pain and that's why tonight she will have to vote no on this 6.6% increase only because I want to help you guys to sell this millage to 100%. I know it's a tough thing but we can sell it better that way. I know I can. I am a sales person. I know I can sell it if I am not spending money out like that and I know it is for a good cause. We did negotiate a 20% or 21% cap on you guys and felt that was what we should stand by and then after the millage is passed then we can go from there. I know Mr. Wells brought his papers breakdown of what the tax increase would be. I don' know if you would like to share that. I didn't bring my paperwork.

Mr. Smith said this is where the City of Burton is in the State of Michigan. What we have here is a graph put out by the City of Portage that their Assessor toughting that the City of Portage is the 7th lowest millage rate in the State. We are at the bottom. They are saying what a good job they are doing being from the 7th from the bottom. We are at the bottom.

Mr. Wells said this is just a group of cities that are in the 30,000 residents range like us. Ferndale is at about 30 mills. Almost 8 times more than ours. They have got the same amount of residents. Dearborn is at 28 mills and it goes on down to the City of Jackson. They are at 15 mills but they also institute a City income tax so if you work for the City you are paying back into the City your income taxes plus there is a millage so they are doubling up. This is a bad situation but I mean when I look back at it and I have done as much investigating as I can and have talked to some of the old guard that has some of the paperwork from then, I can't blame MERS 100% for this. What they are doing now is what they are allowed to do and our problem is we don't have one person at the State level that will even talk to us about MERS because their lobby is so big and they don't want to tick them off either. That's how this happened, politics. Politics gets involved and screws everything up. This should be a business decision not a political one. Human nature got involved. People had a chance to take some money and even after they asked 2 and 3 times, hey this doesn't sound legal yeah you can take it we're going to start from scratch.
Mr. Wells stated further, not one person in this room that after asking 2-3 wouldn't have taken $150,000 to $200,000 and put it in their pocket and drew a pension, and we are all good people here. That's what happened. Those people just didn't take it. They asked 2 or 3 times because

they didn't want someone coming back or getting into their bank account saying we made a mistake here. We shouldn't have given you that $200,000. They got it in writing and that wasn't MERS. That was the old pension fund but they were getting hammered by people in the Administration that wanted to pay that money out so they could garner votes for the next election. Unfortunately, that's what I'm finding, and the bottom line is it was a poor business practice but of course in 1990, 1991, 1992 the gravy train was rolling along on biscuit wheels and they thought we'll make up that difference in no time. No one could forsee what was happening in 2008, 2009, 2013 because it hasn't stopped yet. Now they are saying another 3 years of this. We are putting a band aid on this tonight but we need to keep our officers. We need to keep our core officers and the Chief needs help.

Mr. Haskins Called the Question, Mr. O'Keefe supported.
Motion carried 5-2, with Heffner and Ellenburg voting no.

COUNCIL ACTION:

O'Keefe moved and Wells seconded the following motion:

1. Approve and authorize an additional MERS contribution from the City of Burton of 6.6% for one year (July 1, 2013 to June 30, 2014) according to the terms of the POAM COAM Letter of Agreement dated July 17, 2013.

Motion carried 4-3, with Martinbianco, Heffner and Ellenburg voting no.

Haskins moved and O'Keefe seconded the following motion.

2. Approve and authorize the case evaluator's award in the amount of $25,000.00 in the matter of I. Piske vs. City of Burton.

Motion carried 7-0.

Meeting adjourned at 7:10 p.m.

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