CITY OF BURTON
SPECIAL COUNCIL MEETING MINUTES
SEPTEMBER 7, 2010, 6:30 P.M., COUNCIL CHAMBERS
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The Special Meeting was called to order by President Steven Heffner at 6:30 p.m.

MEMBERS PRESENT: Ellenburg, Haskins, Heffner, Martinbianco, Smith, Wells, and Zelenko.
MEMBERS ABSENT: None.
OTHERS PRESENT: D. Halstead, Fire Chief, K. Gould, Deputy Fire Chief and G. Webster, City Clerk.

PURPOSE OF THE MEETING:

1. **Discussion and possible action regarding Fire Department bonds.**
2. **Approve and authorize the Mayor, Fire Chief and City Clerk to enter into an agreement with THA Architects & Engineers for architectural design phase of the fire station improvements/expansion project.**

PRESENTATION:

Mr. Halstead said backup material was provided. He said the City Council authorized the Fire Department to go ahead with this project, prior to the poor economic situation.

Mr. Martinbianco asked for clarification on specific dates of when this project was initiated. He said Mr. Halstead entered into an agreement with THA without Council approval around June 2007.

Mr. Halstead believed some of the activity on the THA Agreement took place around February 2008. He thought it was okay to proceed because Council had given their nod. THA Architect drafted the plans. Council did not vote on the issue at that time. That is why we are addressing it today. We would like to have the contract signed and proceed with the bond sale.

Tom Colis, Miller Canfield, Bond Counselor, prepared the resolution authorizing the 2010 General Obligation Limited Tax Bonds. He indicated Bobby Bendzinski our financial advisor was also present. They worked on the bond specifications. The resolution authorizes issuance of bonds for the fire station improvements, not to exceed $4.5 million. Once the construction bids and associated costs are determined, the Controller has the authority to reduce the original amount to reflect the actual cost. Then Miller and Canfield will proceed with the sale, issuing the bonds and awarding this to the lowest interest for the life of the bond. The bond will last for approximately 20 years. There is a good interest rate environment to be issuing bonds. Once the resolution is approved today, the bids would go out, the dollar amount will be adjusted and preparation will be made to sell the bonds. They would prepare an official statement and anticipate selling the bonds The City should receive the proceeds about the end of October.

Mr. Heffner asked for clarification on when they might break ground on the fire station. Mr. Halstead said that would depend on when the bond sale was completed. It could possibly be the first of November. Jeff Bennett from THA Architect was present to discuss the agreement.

Mr. Heffner wanted to know if they could reduce cost by avoiding the winter charges. Mr. Halstead said it might cost more for Fire Station 2, but not the other stations. They figured they could have most of the exterior work done and move inside before the bad weather arrived.

AUDIENCE PARTICIPATION:

John Stapish, P. O. Box 190134, asked for clarification on the THA Architectural Agreement and the Miller Canfield Resolution. He said there was limited information on the agenda. To save money he suggested using the same architectural plans that were used for the Clio Fire Station. He wanted to know if this was the same architectural firm that worked on Station 3. There was a beam in the way and the trucks couldn’t drive into the station.

COUNCIL DISCUSSION:

Mr. Martinbianco said the station improvements came to Council on July 16, 2007. At that time the Council needed more specific numbers before they would sign the agreement. When the current Council took place in 2008, Mr. Halstead had full architectural drawings for the projects. He asked for clarification on the payment agreement. Mr. Halstead said he signed an agreement with THA believing he had the authority to do so. Obviously, he did not. He did get a discount on using the same plans that were used for the Clio Fire Station.

Mr. Martinbianco thought that was an admiral gesture. However, the Administration had no contractual authority to sign any agreement without Council’s approval. Mr. Halstead accepted full responsibility for proceeding with the architectural agreement. He thought the Council supported the endeavor. He wanted this agreement to be authorized by the Council so he could proceed with the project. He said the City owed THA approximately $120,000.

Jeffrey Bennett, President of THA Architects & Engineers, 817 E. Kearsley St., said the architectural work was estimated at $120,000. About two years ago, the work was done based on the signed contract. Because of poor economic conditions, the Council decided not to move forward on the bond. The City needed to seek an alternative method for financing. At that point everything was put on hold. Once new financing developed, there have been ongoing discussions. We needed to know what needed to be done. Some changes were needed to make the project environmentally friendly. Mr. Bennett has worked on the project since the beginning. Mr. Martinbianco thought the plans were more elaborate than what we could afford and what was necessary. He wanted to know if some things could be eliminated from the fire station improvement projects.

Mr. Bennett thought the goal was to build a new fire station similar to the Clio station and meet the needs Burton. The quality of construction will be similar in nature. He said the structure should last 40 to 50 years, unlike Station 1, which was built with temporary building materials. If some things needed to be eliminated from the original plans, then he needed to know. He could make suggestions based on what were the most important issues. He suggested we build with the highest quality today to benefit the City over time.

Mrs. Ellenburg said a lot of effort and research was put into the proposed station improvements. She didn't think we needed to go backwards. She felt we were getting the best price. The City needed the station improvements so our firemen would be working in a safe environment that they could be proud of. They fight fire and save lives every day. She did not hear them griping. She felt Council needed to move forward and keep the original plans.

Mr. Wells hasn't seen any blue prints on these station improvements. He saw a nice drawing of Station 2. He was concerned that a ¼ of a million dollars would be spent on Station 1 and 3. He wanted to know how much input the firefighters had on these projects. He would like to know what improvements were included in the pricing of the architectural drawings.

Mr. Halstead received advisory comments from station personnel. They met with Mr. Bennett and provided input on the improvements. In addition, there were requirements by NFPA, OSHA and those types of things. Mr. Wells understood there were certain requirements. However, ¼ of a million dollars was a lot of money to put into a station we just redid about seven years ago. He asked for clarification on the plans to fix the rusted walls at Station 1.

Mr. Bennett said they planned to clean and restore the rusted areas. They do not plan to replace the perimeter of the building. There is a small addition being added to that station. Most of the problem is surface rust that can be cleaned off. There needs to be more ongoing maintenance at that station to prevent rusting. There are other options that could be taken to make things better, such as replacing the siding. However, they are trying to hold down the cost. The plan was to restore the material that was in place.

Mr. Wells was pleased that the residents wanted to move forward with these projects. He said the firefighters did a wonderful job of selling it. He wanted to make sure that the people living in those stations have had input. He wanted them to obtain their goal. Mr. Bennett said the drawings were 90% done. He would be willing to sit down and discuss the details of the project.

Mr. Halstead said they started this project 6-7 years ago when the bond was paid off on the Police/Fire Building. The proposal was to build Fire Station 2. However, Station 1 and 2 also had constructional problems. The primary reason to include all the stations was to make them livable. Roofs are leaking, the restrooms are in disrepair, the radio rooms do not meet today's standards and the kitchen doors need to remain locked. He wanted facilities that could be used on a daily basis and were comfortable, safe and maintenance free.

Mr. Haskins said these plans were far from elaborate. We should do this right the first time. He worked out of Station 1 for eleven years. He said the conditions were deplorable. He said firefighters cleaned the stations. There are some deplorable conditions at Station 3, also. He said Station 2 was a flat out health hazard. He applauded the firefighters and everyone that worked so hard to make this a reality. He thanked the citizens for having the foresight to pass the millage. He would like to form a committee consisting of a firefighter representative from each station, the Fire Chief and a Councilperson to make sure firefighters have input on the project. In turn, the representatives could work with other firefighters on the department. He would like to discuss a few of their concerns.

Mr. Halstead did not oppose creating a committee. When he initiated the project all the firefighters were involved. He formed committees at that time. Only one person submitted a drawing. No one else participated until Mr. Bennett walked through the stations and the firefighters provided input. He took groups to look at the new Clio Fire Station. They made suggestions on what they wanted to be done. That resulted in this project. Mr. Haskins said the firefighters could provide valuable input on this project as it proceeds. This would keep everyone informed on the project. He was excited to see this project move forward.

Mrs. Zelenko wanted to know if the Attorney had reviewed the resolution and the document for bonding. Mr. Halstead did not know if the Attorney had reviewed the information.

Mr. Smith asked for clarification on THA's cost of $4.18 million versus the bond resolution of $4.5 million. He wanted to know why there was a $320,000 difference.

Bobbie Bendzinski, President, Bendzinski & Co., 615 Griswold, Detroit, said the resolution allows the Controller to reduce the bond issue after receiving the construction bids. It was his recommendation not to sell bonds without the total cost of construction bids. The City should not bond for more than it needs. We want to start the process by getting the construction bids. This should be completed about October 15th. The architect will probably need about two weeks to tabulate and check the bids. They will report back to the Chief Halstead and Mr. Bendzinski. Then they plan to start the bond issue. If we sold bonds today based on the architect's estimates, the total project costs would be approximately $4,110,000. We do not want to sell bonds based on an estimate. That is why we are asking for flexibility, so we don't have to come back to the Council. He hoped this project would be ready to start around December 1st thus eliminating most of the winter costs. Mr. Smith wanted to know when the City would start paying interest on the bonds. Mr. Bendzinski said the City would start paying interest the day the bonds were delivered. The price of the bonds will be determined by the actual construction costs.

Mr. Wells moved and Mr. Haskins seconded the following motion: Approve and authorize the City of Burton to enter into an agreement with Miller Canfield and Bendzinski & Co. to sell bonds for building of Station 2 and repairs on Station 1 and 3, not to exceed $4.5 million.

Mr. Martinbianco spoke regarding costs associated with the bond proposal. He said the millage was levied for operations and improvements. He wanted to know, if we entered into a 30-year bond, what was it going to cost us per year and what was the anticipated tax revenues going to be. He didn't know if we could even afford the renovations to Station 2, let alone the much needed repairs to Stations 1 and 3. He wanted to know the total costs of the projects before going forward.

The motion failed 4-3, with Ellenburg, Heffner, Martinbianco and Zelenko voting no.

Mrs. Zelenko was not against the project. She was unclear with the financial aspects of the project. She wanted more discussion on these figures before we give the stamp of approval. She likes the project and wants to move forward. However, because of these economic times she wanted to be more secure with the City's financial responsibilities.

Mr. Martinbianco said the taxes wouldn't be levied until July 2011. The resolutions did not include the costs or the funding mechanism to be repaid by the proceeds of the bond issue. When all his concerns were answered, he would be happy to address this issue. Agreements should not be entered into without Council approval and all relevant information should be furnished so Council can make an informed decision.

Mr. Bendzinski ran the numbers at 5% based on current market conditions, as they exist on a $4.5 million bond issue. He anticipated that the bonds would be sold at 4½-4¾%. The City's bond rating is A+. Mr. Martinbianco was concerned that the interest rates were higher than he anticipated. He did not want to sell bonds for 5%. He said we were a credit worthy operation and we just passed a millage to cover the expenses. He thought 5% was too high. Mr. Bendzinski defended the 5% rate. He compared this rate to recent sales. The 25-year index is at about 4.63%. He used 5% to be conservative. He anticipates that bonds would sell today at 4.5%. If you use 5%, the average debt service of the bond issue would be $364,000 per year. When you take the current taxable value of $609 million that equates to .5964 mills. If the City approved 1 mil, you will be using approximately 60% of the revenues. He said that Michigan bonds have taken a beating. They trade the 2nd highest in the nation. There is a Michigan premium. Included is four months of interest on the bonds so the City would pay interest rates beginning April 1st. The City will not be levying the taxes until July 1, 2011. They covered that for City. Mr. Martinbianco said they capitalized that over that time.

Mr. Haskins asked for clarification on the interest rates. Mr. Bendzinski said interest rates fluctuated on a daily basis. Everyone is being very conservative at this time due to economic conditions. Simple interest rates are used at the time of the sale.

Mrs. Zelenko wanted a clearer financial plan for the Council before moving forward on the project. No one wants to squelch the project. She suggested the Finance Committee review this issue.

Mr. Martinbianco said the purpose of the meeting listed on the agenda was generic. He said the THA Agreement should have been done in 2007. Typically all charges incurred during the bonding sale or agreements would be repaid to specific funds. He wanted more specific financial information on the bond and more specific agenda items regarding the bond sale and the agreement with any transfers if needed. He wanted more clarification on the scope of the project. He said the millage was to address capital improvements, as well as operations of the Fire Department. He wanted to review these aspects with the Finance Committee. He set a finance meeting for September 15th at 3:00 p.m. Through the Administration he requested the Controller be present at the meeting.

Mr. Wells didn't think the Council would have any more information after the finance meeting. He suggested Mr. Martinbianco call the professionals if he had questions on the bond sale. Mr. Wells tries to ask questions in advance of meetings before everything gets misconstrued.

Mr. Martinbianco indicated that he didn’t say anything that wasn’t true. He said the purpose of the meeting did not incorporate the proper action items. The THA Agreement was not executed properly in 2007.

Mr. Martinbianco spoke on several concerns with the bond sale. The two items on the agenda do not represent the appropriate motions. They are not legal adhering motions. There was not enough evidence to support item one or two. He felt there were some procedural issues that needed to be addressed. He said the project will move forward on the Council’s terms.

Mr. Wells said if we waited until the perfect opportunity, it might not get done. The voters wanted this to happen. He thought Council should give approval to start the project. We should make a decision on this.

Mr. Heffner thought they should wrap up the bond issue and move on with getting the architects approved so the fire station could get underway.

Mr. Smith was not sure what the unresolved issues were. He would like the Finance Committee to put their concerns in writing so the bond attorney could respond. He felt they needed to refocus their efforts on this matter.

Mrs. Zelenko said this was a special meeting. The motion was not on the agenda. She understood it was a procedural issue. Only the items that we publicized for a special meeting should be discussed and acted upon. In addition, she thought the Controller should have been present at the meeting. She wanted to know how we were going to pay back the debt. What are the collections on our decreased property tax values? Will this keep track with the new fire bond? She wanted a clearer financial picture on this issue before proceeding. She felt this was a reasonable request.

Moved by Haskins supported by Mr. Smith to: Approve and authorize the Mayor, Fire Chief and City Clerk to enter into an agreement with THA Architects & Engineers for architectural design phase of the fire station improvements/expansion project.

Mr. Martinbianco wanted to know where the authorization was coming from to pay for this project. There is no requisite funding in the current fire department budget or capital improvement budgets for that expenditure. The agreement was initiated without Council approval in 2007. He wanted to discuss this with the Controller at the finance meeting.

Mr. Smith withdrew his support for the motion. The motion died for lack of support.

Mr. Haskins wanted to know if there was money allotted in the budget to pay for the architectural contract. Mr. Halstead said we did have a particular amount in the budget for these services. When the bills exceeded that amount, he continued to turn in the bills. Recently, Mrs. Foster told him the bills were not paid because she did not have a signed contract from the Council. He said THA needed $20,000 more. They wanted a $20,000 payment as soon as possible to cover changes that were made in the drawings. They were willing to delay payment on the $100,000 until the bonds were sold.

COUNCIL DISCUSSION ACTION:

Moved by Wells, Seconded Haskins to: Approve and authorize the City of Burton to enter into an agreement with Miller Canfield and Bendzinski & Co. to sell bonds for the building of Station 2 and repairs on Station 1 and 3, not to exceed $4.5 million.
Motion failed 4-3, with Ellenburg, Heffner, Martinbianco and Zelenko voting no.

MEETING ADJOURNED AT 7:50 P.M.

Gayle K. Webster, MMC
City Clerk