

CITY OF BURTON
COUNCIL WORKSHOP MINUTES
NOVEMBER 26, 2007, 6:00 P.M., COUNCIL CHAMBERS
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The Council Workshop is called to order by Council President Thomas Martinbianco at 7:04 p.m.

MEMBERS PRESENT: Haskins, Tinnin, Wells, Martinbianco, Conley, Heffner and Ellenburg.

MEMBERS ABSENT: None.

OTHERS PRESENT: Mayor C. Smiley, K. Foster, Controller, G. Kray, DPW Director, M. Holzer, Water & Sewer Superintendent., R. Howarth, Street Superintendent, and J. Adams, Deputy City Clerk.

PURPOSE OF THE MEETING: Updates relative to general topics of the Council and Administration.

PRESENTATION:

Mayor Smiley said he is honored and pleased to have Council participate in what he believes is the first workshop of its kind. Our goal is to have Council's input and have the departments give updates of what their needs are, things they have done in the past and where they are going in the future. He feels they should meet first with Controller, Karen Foster to talk about the General Fund. We are on a deficit budget adopted by Council. He would like to talk about how that came about. He asked Mike Holzer, the Water & Sewer Superintendent to speak about water, what is going on with the watermain on Fenton Rd., Vassar Rd., the DEQ requirements and deadlines. The new Street Superintendent Randy Howarth is also present.

Mayor Smiley stated further, Mrs. Foster prepared an employee update and there are some openings we are going to be filling with laborers and clerk typists. We are going to talk about the deficit in the building department with Council not transferring the money from General Fund. With time allowing, we can discuss whatever updates or suggestions Council has.

Mrs. Foster addressed the budget adopted by Council. She stated Council made eight amendments to the proposed balanced budget. Council was given the original proposed amendments and she crossed out the ones that did not go into affect. Items with a d by them created a deficit for General Fund. They did it by adding expense to General Fund, and either didn't increase the revenues or reduced other expenses to compensate for that. As a result, we opened the doors on July 1 with a deficit of \$234,175 when all these amendments were incorporated into the budget. Mrs. Foster said she also passed out a GF summary budget page and a GF expenditure summary page that shows all these amendments incorporated into it. It reflects on the contingency line on the revenue page, the \$234,175 deficit we started the year with.

Mrs. Foster stated for the Police Department overtime, she explained during the budget process how much of the budget is put together using averages for unions. When you break it down by individual persons, you may have one person that works a lot more overtime than what that average is, and you may have 2 people that don't work it at all. We had to do transfers to compensate for the people working more overtime than what was budgeted for them based on averages. The total of those transfers from General Fund came to \$159,000.

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Mrs. Foster indicated currently the General Fund deficit as of September 30th is \$480,621. If revenues don't come in as we have budgeted or have some reduction in expenses, that will be the actual deficit for the year.

Mayor Smiley said he wanted to have open conversations with Council so they are aware of this deficit. As we adopt our new fiscal budget, we need direction as to what Council wants us to do.

Mayor Smiley expressed further, we had positions that were funded other than with General Fund. That is the way it was historically done and when you removed them from their funding sources, that is what caused the deficit. If Council is going to continue that logic, we need to know that so we can prepare the next fiscal year with that in mind. He would like to have some dialog as to ways we can either go back to the way we were funding the positions prior to, so that we can continue the same level of funding, or if we are going to stay on this course that the Council adopted as their budget, you are going to have to do some adjustments either in revenue or expenditure side because that deficit will grow by June 30th. Council will only have been in for 90 days and you are half a million dollars nearly deficit now, and your general fund balance is less than 2 million. Mayor Smiley stressed the City will be in receivership on that course. That is the severity of this.

Mr. Martinbianco said he had the chance to talk with Mrs. Foster. He thinks what Council was trying to do was to consolidate personnel in some of the departments that they felt was a duplication of services. He questioned the methodology as to how they did it or what they attempted to do thinking that was going to take care of those positions that the salary and fringes would all come out of specific line items.

Mr. Martinbianco stated in looking at those items and the personnel that they were proposing to cut, you chose not to follow their directive given the dollars that they were going to assemble, and some of the proposed budget amendments which given the changing in funding sources, became a deficit to the General Fund. But in fact, other funds would operate at a surplus because some of those costs that were shared at one point in time at your election, were now coming out of the General Fund instead of being spread across other funds that would also have helped subsidize them like the water, sewer, DPW and building.

Mr. Martinbianco asked the Mayor if he felt that through consolidation of some positions and not filling others, that he could operate with the staff he had and would find other funding, or the choice to do it this way to put the Council in a position of deficit budget.

Mayor Smiley responded that Council did it this way. In our proposed budget, we had the budget spread across as your sheet shows. All the employees were spread by various funds based on the work they performed.

Mrs. Foster said the salary spreadsheet she gave to Council is what she used to prepare the proposed budget. That is how the people were allocated in the proposed budget. The amendments changed those allocations.

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Mayor Smiley interjected that Council adopted their budget to move those employees out of the funding sources strictly in the General Fund, but didn't increase the revenues or expenditures of General Fund. They just added the bodies back, which automatically gave them the deficit budget. In the year before, Council eliminated 2 positions for no reason. Because I didn't fulfill their wishes of eliminating those 2 positions, they would go to a line item budget and spread them this way so it would be easier for them to manage. What happened was a deficit budget because of that.

Mayor Smiley stressed we need to come together as a team and decide if we are going to fund the way that we were previously, the personnel, or fund they way that it is today.

Mr. Martinbianco said to his understanding, prior Council did rescind that line item action that would allow for consolidation. The Police Department value cost sharing between a lower paid patrolman and senior officer is going to be a continued accounting nightmare for Mrs. Foster, because now she has to go back and take a time certain from which point she can reconstruct and do some cost sharing there.

Mayor Smiley said the other problem is how the employees are paid for. Are there other funds versus General Fund. They did not address that issue. That still puts you in deficit mode from day one. Some of the money that Council transferred from General Fund to pay for Police, it is still in the police budget. We can probably have Council transfer money back out of the police fund back into General Fund, which will take that deficit down somewhat. The money is still in the police department, you just added that much money because she could not move it around before.

Mr. Martinbianco stated he discussed with Karen the police millage and its impact, and the continued subsidy from the GF of the police fund. Is it fair to say you take all the millage money and spend it first, anything after that comes from General Fund and the police millages that are generated, and in 90 days they are already gone through.

Mrs. Foster said the millage itself was going to generate approximately 1.5 million dollars. The total budget for the police department as it was proposed was 5 million dollars. General Fund has given the police department approximately 95% of their funding. This year that percentage will be a little lower because they have this additional millage money coming in.

Mrs. Tinnin asked if the City committed to the police department that we would still contribute the same amount of money from GF that we had in the past, even though the millage has gone into affect. According to Mr. Whitman that was his understanding between him and administration.

Mayor Smiley said it is committed that all the millage money must go to the police department. City Council at any given time can move from one department to the next as they see fit. The only thing that is committed is the 2 mills designated for police, and it must be used for police.

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Mrs. Tinnin indicated it would be beneficial to give all new Council members copies of the minutes where we met with Mr. Whitman so that everybody can read these prior to making any decisions as far as transfers from the police department back to General Fund.

Mayor Smiley said the transfers he suggested was because of line item budgeting that required for overtime. That money was never talked about in the budget process. The money that Council just transferred a month ago is still in the police department. At the end of the year, the police department should be that much money over budget.

Mrs. Tinnin asked if this encompasses the \$420,000 at the end of September.

Mrs. Foster said the total of line item transfers for overtime was \$159,000, additional over the police proposed budget. She had to do transfers that equaled the \$159,000 because of being on line item.

Mayor Smiley said the Council adopted a deficit budget because of the way they funded the 100 employees we have. Their philosophy was to fund it this way, ours was to fund it the other way. That caused a deficit of \$234,000. We need to work it out. As we prepare the next fiscal year, are we going to continue that kind of budgeting practices or look at something else.

Mrs. Tinnin said in the past the purchasing agent and some of the other employees would be spread amongst 5 different departments. A building inspector was charged off to motor pool because there was a deficit in the building department of \$160,000 that Council became aware of.

Administration remedied it by charging a portion of this person's salary off to the motor pool where it would be self absorbed from various departments that were using him. How do we want as a Council to fund these various positions. Do we want to allow Administration to spread these salaries 5 different ways, or come out of the department they are working out of which would entail a greater degree of expenditure to General Fund.

Mr. Wells stated the deficit in the building was a revenue deficit, part of that being brought on by a raise in fees, particularly tap-in fees.

Mrs. Tinnin said she does not believe a building inspector's salary should be contingent upon how much building is going on in your City. Your building department should be able to fund that salary.

Mrs. Tinnin said she believes in the past the Purchasing agent was funded solely from the Controller's office.

Mrs. Foster said prior to this it was 50/50 out of the Treasurer's office and Controller's office because Mr. Becker was the Treasurer / Controller.

Mrs. Tinnin said they previously spread it amongst 5 different departments.

Mrs. Foster said years ago it was every department.

Mayor Smiley said in the 2006 fiscal year, when they eliminated the funding for the purchasing out of the Controller and arbitrarily decided they were not going to fund that position, obviously, we found a way to fund that position. The way it use to be funded by everyone's budget made sense because they purchased everything for the City anyway. In the fiscal year of 2007, when they found out we kept those 2 positions they just eliminated, they were going to find a way to make it more harder and restrictive until they went and took her back to 100% General Fund. They didn't increase revenues or expenditures and you had a direct hit to General Fund.

Mayor Smiley expressed further, through your MML training, you look at the way people are funded. Should the purchasing agent be partially funded by water, sewer, roads, police, fire or whoever, or shouldn't they. Should the personnel director be funded by other sources versus General Fund. The DPW Director was funded out of other funds and Council put it back in the Building Department, which was a direct hit of another issue and why we had the deficit. So when you take it apart you see what happens. There is ways to fund these positions that makes more sense to spread out their work load to our taxpayers. Taxpayers pay General Fund dollars. The other funds are paid from different sources.

Mayor Smiley stated the water operating deficit is \$522,000. The previous Council said it was all right to use unappropriated surplus for that. It is not all right to have a deficit budget to use unappropriated surplus for that operation. These are issues you need to be concerned with.

Mrs. Tinnin asked how much in the water department encompasses the recent increases. Mrs. Foster said the new increase did not go into affect until the June bill so we really did not see any benefit from the new rate in last fiscal year.

Mrs. Tinnin inquired regarding 2005 water charges. Mrs. Foster said last year we had some retroactive rate increases passed on by the County we had to pay for. These fluctuate based on consumption. She believes in 2006 the consumption was down from 2005.

Mayor Smiley said the secretaries in my office were in General Fund and when he lost personnel, we spread them across the other funds. Now they are back in General Fund. They don't just work for the Mayor. They work for every employee in the City. It is fair to the taxpayers if every department that utilizes those services pay for that service, and not just General Fund. That was our philosophy when we presented the budget last year. So Karen had a formula to warrant their salaries. Those 3 positions by taking them back solely to General Fund caused the deficit.

Mrs. Foster said they eliminated the code enforcement funding by adding a building inspector funding which created a deficit.

Mayor Smiley said code enforcement is strictly a General Fund position. He makes less money than the certified building inspector. He has had that job for several years. For Council to arbitrarily decide to remove him out of that position and replace him with someone else, was not fiscally responsible because of the difference in cost and it was wrong. You have union agreements and other kinds of issues to deal with.

Mr. Martinbianco inquired concerning the Senior Citizen Millage distribution prior to June 30, 2008.

Mrs. Foster said when the millage was adopted, the Senior Citizen's was moved into a fund of its own. Any funding they get from General Fund, because we had to maintain the level of funding they were receiving prior to the millage from General Fund, you will see on the expenditure page, it will be noted as a transfer from General Fund to Senior Citizens Fund.

Mr. Martinbianco asked further regarding part of the Director's salary from Community Development dollars.

Mrs. Foster said we receive \$17,250 towards her salary.

Mayor Smiley said it looks like Burton did really well in the amount of seniors served. We will receive more revenue based on that. The County Commissioner shared that with us.

Mrs. Foster interjected the amount will be about \$200,000.

Mr. Martinbianco said our share, our tax effort is over \$500,000 and we are getting \$200,000. He expected some effort and foresight on their part in order to administer that tax levy based on one of the criteria is how many seniors you serve. What other ancillary functions do you serve.

Mayor Smiley responded by suggesting speaking with Jean Johnson. She gets a lot of other things in exchange for that in dollars, programs restored being funding by the County.

Mayor Smiley addressed water concerns. The 5th Third Bank water loop is a DEQ requirement for our dead end lines. They happened to pick that one that needs correction. Mike Holzer has worked very hard communicating with DEQ and City Council as to why we need to fund that looping. It is an issue that is not going to go away.

Mike Holzer presented Council with a copy of his memorandum. He stated the Mayor asked him to give a summary of some of the issues facing the water department. The DEQ wants some direction of where Council is going on the Fern St. watermain. It is one of the watermain that is the oldest part of the section of the south end water system. It is part of our capital replacement plan we have on file with the EPA and DEQ. Early this year we were required to fill out a needs survey with EPA which notifies the EPA what we have coming down the pike in the next 10 years to keep us in compliance with replacing some of the capital system we have.

Mr. Holzer stated further, a major part of our south end system is approaching between 50 and 90 years. Seventy-five years is the average life expectancy of those watermain. EPA has come up with a formula for replacement, relining and/or rehabilitation of some sort. We chose to start with Fern Street because it breaks down the most. We've had quite a few breaks in the section we want to replace from Judd Rd. to Bristol Rd. We already replaced the watermain from Maple Rd. to Webber St. so we want to pick up at Webber and take it to Bristol Rd. It was permitted with DEQ and it is part of our capital replacement.

Mr. Holzer continued that DEQ came to us in early August to see how we are doing on some of these projects. When they found out we didn't pursue the Fern St. watermain replacement, they informed us we now have to do a water system reliability study. It has to be done, completed and in the DEQ's hands by June or July of next year. It is going to cost \$25,000. They want it on the total water system including the north end and south end.

Mr. Holzer said a copy of the contract from Stantec to do this survey will be presented to Council at the December 3rd meeting because DEQ wants me to call them back on December 4th to let them know where we are going on the reliability study. Stantec was chosen because they did a reliability study for the City of Burton in previous years. They are also doing the water system modeling for the whole Genesee County water system. We have an agreement with Genesee County Water & Waste. They will share their data with us for our reliability study and we will also share our reliability study data to improve on their model. It will save us a tremendous amount of money in this water study. That is why the water study came in at \$25,000. We don't have a choice on the reliable study or we will be in violation with the DEQ.

Mr. Holzer spoke regarding the 5th Third extension. The DEQ has noted the permit will expire in 2009 and if it is not completed in 2009 by the time the permit expires, they will start enforcement action against the City for the violation caused by the 5th Third water project. The water project with 5th Third has been bantered back and forth between attorneys, the City, 5th Third Bank and their contractors that were involved. The DEQ does not care about the litigation between the City, attorneys and everyone else involved. All they know is that it is a violation within the City of Burton water utility and they need it corrected.

Mr. Holzer expressed further, owners of the trailer park on Fenton Rd. inquired regarding the Fenton Road joint project that Genesee County Water & Waste would like to participate along with Flint Township, and split the costs for the Fenton Rd. water project. What is really pushing the DEQ for a response from us is the water quality issues for the trailer parks. The arsenic is tremendously high in that district which also encompasses Shenandoah Estates.

Mr. Holzer said they also have a 228 radium problem that needs to mitigate in those parks. The trailer park owner has been to Council a couple of times asking for their feelings on it. They gave an engineers' estimate to the DEQ of what it would cost them to put in an arsenic mitigation system in the trailer parks. DEQ feels the engineers estimate given to them was an extremely low amount. Their engineers' estimate just for arsenic removal alone was \$150,000. The DEQ's engineers feels it would be twice that, \$300,000 to \$350,000. That does not include the radon problem or operations and maintenance problem. The by-products that they would get from the arsenic and radium removal would have to be hauled off site by a licensed industrial waste hauler. They would have operations and maintenance problems with the site and would need a licensed State of Michigan water system operator to maintain the system, keep up with recordkeeping, water sampling and everything else involved with it. It is going to be tremendous costs.

Mr. Holzer stated the owner of the trailer park believes he can eliminate this problem without too much financial headache and he is using that to try and get the City to give him a pretty good price break. According to the DEQ records, by the time he is done with the arsenic mitigation and the radon problem he has, he is going to be in excess of over \$400,000 just to get the system in and engineered. DEQ wants insight from us if Fenton Road is something we want to pursue. Also, we have Davison Township inquiring about Vassar Rd. They want to participate with us on a Vassar Rd. extension. Because they have some future development plans already approved, they have approached us a couple of times. They have participated with us in several other joint efforts with watermain extensions. The watermain would belong to Burton and Davison. Davison would kick in their half to become a partner in the water system extensions that they would hook to, and we would just meter water to them.

Mr. Holzer said the pressing issues we have are pretty much the Fern St. Watermain and the 5th Third Watermain Extension. Those will affect us, because they are both part of the capital replacement plan and we have a violation on our water system created many years ago that DEQ wants addressed.

Mr. Holzer said we have the formulas as far as funds that will be available through CD. He thinks they are going to bring a referendum to Council for December 3rd to transfer the monies from the CD project towards the Fern St. Watermain, which will probably cover half of it. We might have to bond some of this.

Mrs. Tinnin asked how they propose to pay the rest for the Fern St. Watermain. They never paid a special assessment.

Mr. Holzer said from what he gathered from Elmer Kraft, one of the original superintendents years ago, they had a bond that they built the whole south end water system with back in the early 20s and 30s and some of it was even before that. That is how the original part of it was built. He couldn't find anything on the funding of it because it was done so long ago and records are so scattered.

Mrs. Tinnin asked how the rest of the water users would pay for a Fern St. line from all the way down Fern from Maple to Bristol.

Mr. Holzer said they would be part of the water system improvements.

Mrs. Tinnin said you have to show some kind of proof that they paid at one time otherwise the other people are paying water assessments and the rest of the part of town and nobody in the south end has paid a water assessment.

Mr. Martinbianco stated that would be true if it were special assessments as opposed to a revenue bond where the proceeds from the operation of the water department would offset the cost of the bond.

Mr. Wells said there has been 12 breaks already there. Mr. Holzer noted that it was just within the last year.

Mr. Wells said the City is paying to repair it every time it breaks.

Mayor Smiley said the fact too is that it is enhancing our system that we must continue to do City wide no matter where it is at. We have an obligation to improve our infrastructure whether it is water, roads or sewer. We have to do that.

Mrs. Tinnin responded that you are using the operational portion of the water surplus. It is going to deplete the unappropriated surplus even more. Are we going to turn around and raise water rates for everybody when not everyone is going to benefit from this.

Mayor Smiley stated everyone benefits from water enhancement.

Mr. Martinbianco commented regarding water operating. He has always disagreed with charging depreciation off as an operating expense when it is clearly a non-operating expense. The fact of the matter is the unaudited 2007 estimate of the depreciation cost is \$328,000. That in itself has always been used as a model to serve as a surplus under which we knew the system was going to fail over time and that would have to come out of that. It is a non-operating expense. They don't do this in the sewer department but they do for whatever reason in the water department. The depreciation expense is one of the things that is related to replacement cost in current year dollar value compared to what it was way back when they first put the system in and began to depreciate at those dollar rates back in 1930s when they put it in.

Mrs. Tinnin asked how it was first paid for in the south end. Was it done through Federal dollars and if that is the case, no one ever paid a special assessment.

Mr. Martinbianco said he doubts if it was a WPA project back then.

Mr. Haskins questioned Mrs. Tinnin for clarification to her comments.

Mrs. Tinnin responded that it was a BOLT decision that states you have to have a benefit in order to use somebody's users fees. If you turn around the next year and state the water operational is too high and you have used too much surplus and your surplus is depleted, and you are going to tell your water users in the City you are going to increase to up their surplus. The BOLT decision was enacted so that it protects those people that pay into the user funds. The user funds are used to maintain the systems that are already in place. But if the systems are in place due to the fact that they have already paid a special assessment in the beginning, then you are actually maintaining the system. If they are actually in need of additional new lines because of the age of the lines, but they never paid a special assessment, then it is time they turn around and assess that district that is going to benefit for the additional new infrastructure that is going to be put in.

Mrs. Ellenburg said she lived in the south end her whole life. When the water and sewer went in her mother and dad did pay for that service. She remembers her parents saying it was so much money and it was put on their taxes.

Mrs. Tinnin said to hook in they would have paid and that is separate then what she is talking about.

Mr. Haskins expressed that he thought the City of Burton for a period of time was making up the cost difference of the water rates that were being increased. The rates were never raised to help alleviate the costs.

Mrs. Tinnin said they were running operational deficits in the water department from 1999 to 2003.

Mrs. Foster interjected that the rates were not raised enough and it would have helped.

Mr. Kray said they went for an increase in late 2005, \$2.53 per 100 cubic feet and \$9.50 a month for the monthly charge. Council lowered it to 2.35 per 100 cubic feet and dropped the monthly charge down as well. Later, the County came through with a 5% increase which equated to 5.3 cents to us and we tried to make that up with 10 cents based on a couple of other increases that were missed. One was completely missed, another 3 cents that was never included. Last year we had to do a lot of make up. In future years the operation should be okay now.

Mr. Haskins asked if the water rates coming in and out now are on target as far as what we are paying and what the water users are paying.

Mrs. Foster acknowledged yes.

Mr. Wells asked how many tap-ins will the trailer park have.

Mr. Holzer said it is around 180.

Mr. Wells said this concerns him more than Fern St. People that paid special assessments and did not tap into the funding is Meadowcroft who now want to get water and it will cost them \$1,000 more now then a couple of years ago.

Mr. Wells stated further we could set up a Finance Meeting to look at lowering the tap-in fees like our neighbors to the south. If at least not back to where they were, within a couple hundred dollars of where they were. He talked to Jeff Wright and he is not going to lower them at all. Eventually he is going to have to do something. People just can not afford to do it any more

Mrs. Tinnin responded if they can't afford to do it, they are not going to do it if you lower the rates either. They are either going to want the water and they can afford it or they are not. You have to charge for the services you provide and pay for your operations.

Mr. Holzer said the Tap-ins do help us maintain the system and the requirements coming forth from the DEQ. We just started our first run of tests for stage 2 disinfection byproducts. Just one set of samples that went to the lab that we have to do every 6 weeks is over a \$1,000. In 2009, we are going to have crypto spradium we are going to have to test for at 12 sites. It is projected \$3,500 for those.

Mr. Wells asked if it is being paid for with tap-in fees, and how many have been done in the last few years.

Mr. Holzer replied it is all coming out of water revenues. Not counting Bendle School, probably 8 to 10 tap-ins were done.

Mrs. Tinnin said we have no new builds.

Mr. Holzer expressed that has been throughout the County.

Mr. Martinbianco inquired as to how the City's front foot fees compare with surrounding communities and how close is it to real cost.

Mr. Holzer said according to real cost, it depends on the size of the distribution main that is in front of the house. The front foot fees are figured as an 8 inch main, which is pretty much standard formula. Our front foot fees are in the low to middle road compared with other municipalities.

Mrs. Ellenburg inquired regarding a bulk cost with the trailer park's 180 tap-ins.

Mr. Holzer stated in previous years, we had a formula that we charged 100% of the tap-in fees for the first 2 units, and every unit thereafter was discounted 50%. That was abolished to the straight tap-in structure.

Mrs. Ellenburg asked if something like that could be done for the trailer situation.

Mr. Holzer replied it is up to Council. I have to charge according to our ordinances. Bendle Schools wanted a discount rate before they tapped in. I told them under no conditions and the same applied to the gentleman with the trailer park on Fenton Rd.

Mr. Wells said it deserves to be looked at. He inquired what the fee is for.

Mr. Holzer said there are some areas of the City that no front foot fee applies and some do. If it is a resident building a new home it is \$2,000 for the sewer tap-in fee plus \$25.00 inspection to inspect the line from the house to the street. Water is \$1,500, \$1,000 to the County for sewer, \$1,000 to the County for water, and \$3,500 comes to us plus the \$25.00 inspection. Depending on the size of the meter you have, there is a meter charge for that as well.

Mr. Wells asked what is physically done when they issue someone a tap-in fee, how many guys are involved, and how much time is involved labor-wise.

Mr. Holzer responded that tapping the house in is going to depend on the long side or short side and what side the main is on. If we have to bore the street and tap the main it is generally half a day using a three man crew. If it is on the short side of the street it is a couple of hours, depending how many utilities we have to work around and where we are at. Some areas have a tremendous amount of fiber optic cable in the ground, gas mains, etc. We had one not long ago that took us most of the day to do a short side because of all the utilities, so we are having to work around that all the time.

Mr. Holzer expressed you have to be careful around the fiber because they will charge thousands of dollars a minute if you break it. The inspector that goes out to inspect the lines from the house to the street is typically a half hour for him to do that.

Mrs. Tinnin asked if Mr. Stein has been in to meet with him as far as what he is willing to commit to monetarily.

Mr. Kray said he was in a couple of weeks ago and asked if the new Council make up will have a different outlook. He is still looking for some type of discount. I told him there had been discussions about the possibility of reducing tap-ins. He is interested in that as well as the possibility of metering his actual flow to pay actual number of units calculated like the County does. The County will allow you to install a meter and if they find out you are actually using 120 units, then that is all they will assess you. If they find out it is actually 200, then it goes up to 200. He is also interested if the City would actually do something like that for him.

Mrs. Tinnin asked if he wants a master meter instead of individual.

Mr. Holzer responded we prefer not to individual meter. They pick them up and move them at will. We lose the meter and radio remotes. It is easier for billing, meter reading and much better for us. Mr. Holzer stated further one of the biggest reasons Mr. Stein is making so many comments and inquiries is he has paper work from the DEQ that Mr. Stein has a deadline date of June 30, 2008 to clarify how he is going to do to mitigate his arsenic and radium problems there.

Mrs. Tinnin asked Mr. Holzer what he feels is the total cost he will have to come up with. Mr. Holzer responded that according to the DEQ, Mr. Stein's engineers have an estimate of arsenic mitigation at \$150,000. The DEQ engineers and what they know about the arsenic problems in that area, feels Mr. Stein's engineers are really low balling that price. DEQ is coming in at twice that – around \$300,000 to \$350,000. He also would still have to address the 228 radium problem he has in the water.

Mr. Kray said with his 180 units, the City tap-in would be \$270,000, and the County tap-in at \$180,000. He would be looking at \$450,000, but it would handle the radium and it would increase his property value to have City water supplied rather than well. Mr. Holzer interjected also his fire protection rates.

Mr. Holzer reiterated earlier comments that it does not include operations and maintenance. He would have to pay for maintenance of the arsenic mitigation system, plus the licensed industrial waste hauler to haul away all the by-products of the arsenic remediation. He will also need to have on staff a water system operator that is licensed by the State of Michigan to do the maintenance on the system, file all the paperwork, do the water sampling. We pay for our radium samples \$300 per sample.

Mrs. Tinnin asked what the City's costs would be without all the County's contingencies. There is 30% built into the County's contingencies on the Fenton Rd. watermain.

Mr. Kray said he thought it was 1.2 million for the Fenton Rd. leg, half of which is the City's and another \$300,000 to take it down Bristol to tap in. So it was about a million to the City and \$600,000 to Flint Township.

Mrs. Tinnin said these tap-in fees would almost pay for the amount of our initial investment.

Mr. Holzer said with the Fenton Rd. water, part of the water would be brought back up to Bristol Rd. to connect to the Kroger store at Bristol and Camden. We have a dead end main issue there that would be resolved by part of this water loop. We try to eliminate as many dead ends as we can because it is a potential problem for these stage 2 disinfection by-products. When water sets in a line, chlorine breaks down and becomes carcinogenic. To eliminate that on the dead ends, we need to have a continued flushing program. This throws up our unbilled water usage because we don't have anybody paying for it, we are basically dumping it down the drain. Now, new regulations will come into play in 2008 that we can't just simply dump that water down in the ditch and let it go into the storm sewer. We are going to have to do a chlorine remediation that takes the chlorine out of the water before it gets the surface water drainage. So you are going to have more tremendous costs involved in everything. Parts of these new regulations that are coming into play is why it is so important to try to loop up these dead ends. Fortunately we don't have a lot of dead end issues right now and that is why we are trying to eliminate wherever possible.

Mayor Smiley said he hopes Council looks at the Fenton Rd. water and see if we are going to continue with that. We have had 3 or 4 years trying to get that approved. Mayor Smiley also commented on the trailer park issues.

Mr. Martinbianco asked why the Water & Waste Division is not a participant. Mayor Smiley replied they are somewhat. Fenton Rd. water has been an issue with Flint Township for a long time and Baker College. Now Baker College has water some other way with Flint Township and they excluded us because we dragged our feet basically. The County has been pushing this. Flint Township is probably going to do it if we don't participate with them. If that happens, they are going to own the water and we are going to have put all these meter pitches and this is going to give us more problems eventually down the road.

Mr. Martinbianco interjected unless we become a franchise customer.

Mayor Smiley stated it is the same way with the mobile home park. It could very well become a franchise customer with Flint Township. The big picture is we are going to enhance our water system by putting water down Bristol Road, tying up the dead ends at Camden, taking it down Fenton Rd. to Maple Rd., open up that land and looping our system which is enhancing it throughout. Whatever tap-ins come, you are guaranteed the mobile home park, he is sure that is going to happen. Whether you want to do something with tap-in fees or not, that is going to happen. There are other properties along the way that could tap-in or potential of opening that property up.

Mr. Martinbianco said the Bristol Rd. looping is certainly a need. We need more of commitment from Genesee County Water & Waste Division and they need to be more of a participant.

Mayor Smiley referenced the loop east of Maple Rd. and stated the City entered into an agreement with Grand Blanc Township and the County came in and administered the agreement. We still both split 50/50. In the City where we have put money up front for watermain expansions, I believe we need to do this if we are going to have foresight, and with water, sewer and roads. People on the water frontage still pay when they tap in. Meadowcroft is on a special

assessment, Belsay Rd. where we put water in from Lapeer Rd. down to Maple and Maple down, when they tap in they pay. There is no free water here. Mayor Smiley stated further, we as elected officials have a responsibility to provide safe drinking water and enhance the quality of life and we have the resources to do that and we have the opportunity to do that. I think Council should give it a very serious look at funding.

Mrs. Tinnin stated the water is a little bit different. Half the City is paying for water and the other half isn't. With the roads everyone is paying for your road tax and sanitary sewer. I am sensitive to how we are financing these water lines when no one in the past has paid a special assessment. She would like to see documentation.

Mayor Smiley responded with our water bill, you have wholesale and retail costs. The difference is in that markup is what we do in our system. In the last 2 years we have done nothing to enhance our system because there has been no funding there. What money we have had set aside for enhancements, we have used to pay operations. The practice has since stopped. But the fact of the matter is we as elected official have to prepare for the future and the only way you are going to do that is through water rates. Fern Street helps the Kearsley district and it does enhance our system no matter where it goes. We just put sewer down Dortch Dr. Those residents have paid for sewer through the millage for 30 plus years and never benefited from it till they just received it. We have to as a City provide infrastructure.

Mrs. Tinnin stated she does not want to see the City open themselves up to a lawsuit when you start increasing water rates because you are providing for new water lines for people that have never paid for a special assessment. Mrs. Tinnin referenced the BOLT decision.

Mayor Smiley stated BOLT does not play a role here.

Mr. Holzer expressed that the DEQ has been very helpful and kind with us in several of these issues. They know we are trying to get them resolved and they have been holding off as long as they can. Unfortunately, as the DEQ is to us, the EPA is to the DEQ. The EPA is wanting information from the DEQ who is wanting information from us. It is a snowball effect. Over their site evaluations with the City of Burton over the last couple of years, they have noticed we have made tremendous strides and have acknowledged those. They have been very helpful because they know we now have more of a pro-active stance with the water utility than a reactive stance that we use to have.

Mr. Martinbianco questioned the status of the 5th Third Bank issue.

Mr. Holzer said there was an agreement made at one time with the attorneys that 5th Third was going to kick in funds for it. He was not party to a lot of this information and this was kind of dropped in his lap. There were agreements made at a meeting with the DEQ in Lansing with Mr. Hamilton, who was the City Attorney at the time, one of the attorneys with 5th Third Bank and one of the Vice President's of 5th Third Bank. They came up with a cost agreement of who was going to pay what, and when it came down to the wire, the attorney said they were not going to do anything, take me to Court.

Mr. Holzer stated further that irregardless of what happens in that respect, the DEQ sees it as a violation that must be corrected.

Mr. Martinbianco inquired further as to the violations.

Mr. Holzer replied they connected to the water system without construction permits on file with the DEQ. The prior water supervisor didn't pass the information on to the field people that there were no permits on file for it and if they started anything, don't tap it. After that, he was up north

for a week and here is the contractors. The bank is being built and the contractor called and said they are ready for the tap. No one said anything to the water foreman that there is no permits on it so he just assumes there is and he taps it. Mr. Holzer stated further that the project was shut down twice by the prior water supervisor. The contractor put the watermain in on Sunday because they knew nobody was here. It has been since corrected that no occupancy is given to any building in the City of Burton until such time that the water and sewer department signs off that everything is in place. We have in the ordinance now that we can shut off for non-payment of water bills or any other ordinance violations.

Discussion continued concerning 5th Third Bank. Mrs. Tinnin questioned actions to take against the bank. Mr. Holzer expressed different options that were originally discussed, but that the attorneys are still bickering back and forth on it. Mr. Haskins asked about accountability of the contractor. Mr. Holzer stated he filed bankruptcy. Mr. Kray stressed that the DEQ is looking to us to fix it.

Mr. Wells inquired if the Kronos system is up and running yet.

Mr. Holzer said the door swiping portion of it is. A power surge a few weeks ago took out a couple of the clocks. Mr. Udell contacted Kronos about getting those replaced. The payroll side is not ready yet.

Mr. Wells asked what the timetable would be concerning the payroll.

Mr. Holzer replied he installed the equipment quite some time ago. Mr. Udell would have to answer the question on the payroll.

Mayor Smiley said they are moving on that. We are now doing our own water billing and that was a major change.

Mr. Wells asked the Mayor if he feels they are behind schedule with getting Kronos on board. Mayor Smiley replied we are behind schedule.

Mrs. Foster interjected a lot of it have been issues on my end as far as payroll. We had set it up based on how the employees were charged before line item was put in place. When we went to line item it totally changed everything as far as the payroll prospective in getting that data from the clocks to the payroll system. She had to put on hold re-doing all that because I was dealing with line item issues. Basically I have been the hold up on that. Now that we are back to the way we had proposed the budget as far as budgeting for the people, everything we had done prior to line item can go back into affect.

Mr. Wells asked if we have to figure out how we are going to run the budget before you can finish that project.

Mrs. Foster replied no, she already sat down with Kronos as far as all the data that was required so that the time clocks could communicate with the payroll software that we use so now all that can be implemented because now we are back to the way we were originally set up. Our next step I had to identify 10 employees we are using as a test group and we have to get with Kronos and let them know we don't have to make all these changes because of line item and we can start testing those employees and go from there.

Mr. Wells asked Mr. Holzer to update our new Council members on what the Kronos system is. Mr. Holzer said the Kronos system is a time keeper and gate keeper system. The gate keeper portion you have ID badges that are swiped at the doors and you can assign what door an individual can come and go in, what time of day, if they can come in on weekends. On the payroll management side, a card will be swiped plus and that involves a finger biometric to identify that person. It will eliminate a tremendous amount of paperwork.

Mr. Holzer stated further he installed this system at Genesys Hospital when they built it and it has been working very well. It will be a tremendous cost savings to everybody involved that has to do the payroll.

Mr. Wells asked if the purpose behind this was the anti-terrorist crisis that the federal government was going through a few years ago.

Mr. Holzer replied that a lot of government buildings are going to a card system that is optical scan and similar to this.

Mayor Smiley addressed the building department. In the budget letter book, he made reference to removing a building inspector from the building department. That individual has been working in the motor pool helping the mechanic. The work is there and actually he needs 2 mechanics. This has always been a conversation at budget time. For the fiscal year 2006, July 1st through June, in January we realized we weren't going to make as much revenue from building permits to fund the building department.

Mayor Smiley said several employees are in the building department and obviously you can't raise building permits enough to cover that entire department. It was identified as its own budget, that is the General Fund operating. The building permits that we generated basically subsidized the expense of the General Fund obligation for the building department. When we had some good building booms we did really well and our revenues exceeded our estimates.

Mayor Smiley continued that last year throughout the State, everyone was experiencing less building going on and our building permit counts were not good. We projected \$180,000 so midway through the fiscal year we pulled a building inspector out. Then when we budgeted this budget year on, we left him in the motor pool. We ended up being \$142,000 deficit in the building department. In years past, it happens quite often that the building department revenues does not meet what we budgeted. Council at year end would transfers the necessary funds from GF to absorb the lack of revenue. The last Council decided not to do that. This caused a deficit in the building department of \$142,000. This now requires Council to have a budget reduction

plan submitted to the State as to how you are going to solve the issue of not funding the Building Department after the fact. You only have a few choices and the most logical is General Fund. That is the way we always have done it in years past and that has not been an issue. The second is to raise your building permits to cover your building department expense and I don't think with building that is an issue. The third choice is to do away with your building department and I don't think that is really an issue either. We have to have a plan approved and submitted by City Council to the State Treasury as to how we are going to resolve the issue of the \$142,000 that the Council didn't transfer the money.

Mrs. Foster said she brought the transfer June 20th.

Brief discussion ensued regarding the building inspector working with the mechanic, the various positions and where they are funded from.

Mrs. Tinnin said we either have to raise taxes for consolidate services in lean times and it is only going to get worse.

Mayor Smiley said General Fund has always picked up the shortfall.

Mr. Martinbianco asked what the timeframe is to get this resolved with the State.

Mrs. Foster once we get the audit back sometime the end of December, we will have our audit workshop in January and she has 3 months after the receipt of the audit to report to the State.

Mr. Martinbianco said somewhere before the commencement of our budget hearings for next fiscal year we will have to have a plan in mind. We can have some finance meetings and discuss some of those issues as it relates to that deficit and looking ahead.

Mr. Haskins asked if in all the years in the City of Burton have we ever dealt with a deficit budget before.

Mrs. Foster replied no.

Mayor Smiley said if you are talking about the General Fund deficit adopted by City Council, that is the first. If you are talking about the building department that is a deficit as far as the revenue expenditures part, we have transferred the money from General Fund to cover that shortfall. It has only been in the last few years that we have had to do that due to the way the State has required us to administer the building department.

Mrs. Foster said in other years in the building department they had a surplus and as a result General Fund did not have to contribute as much as they thought because there was a higher permit revenue than what is budgeted.

Mrs. Tinnin interjected that the deficit was due to the line item budget.

Mayor Smiley said line item budget had nothing to do with the deficit. The building department is somewhat similar to the water department. The water department is strictly funded by the water users, water rates. Nothing prevents Council from subsidizing water from General Fund if you chose to do that. The building department is funded from General Fund but we get basically a subsidy from the permits that are generated, not knowing what permits are going to come in any given time. We only best guess the amount of permits. The previous Council wanted to

make it an issue of not transferring the money from General Fund to pay the building fund, not knowing what reaction was going to happen.

Mr. Martinbianco asked if it was part of the result of the BOLT action that required us to separate out the building department and track the revenues and what we were charging so they were reflective of true cost of the operation.

Mrs. Tinnin said she does believe that was the case.

Mayor Smiley said there are other departments that need to come before you and talk openly. We hope we can come up to some understanding on the budgeting of our personnel and assignments

Mr. Martinbianco expressed to the Mayor he appreciates that kind of update and the ability to study some of these things and make recommendations. He appreciates the availability of the Controller and her knowledge, also the DPW staff and their knowledge and understand some of the intricacies that are going to go into addressing these issues in the short term and be able to consolidate those things and look at the long term picture. Mr. Martinbianco acknowledged the presence of Randy Howarth.

Mayor Smiley said he wanted him to be here. Council will receive an updated payroll sheet. He is a superintendent so there is an increase in pay. That was an issue with line item budgeting because before we would have had to bring it to Council to say we need to elevate Randy up and Council then would have approve. We now have a void in the foreman's level. We are looking in maybe creating crew leaders instead of foremans. Randy normally had 2 crews versus one foreman. We will be doing hiring in the DPW as well as Clerk Typist. These are not new positions that are being created, it is through retirements.

Mrs. Tinnin asked if Council could receive a payroll update. Mrs. Foster stated she will be doing one for December next week and will give Council a copy.

Mr. Wells said Mrs. Heidenberger put together a packet of what the Assessor's Office does. He asked if the other department heads could put together a packet to tell us what their job description is and a synopsis of what their departments do.

Mayor Smiley said the departments expressed that they want to do that.

Mr. Wells expressed that communication is the key to keeping the City going. This has been a great start for this new Council and administration.

Meeting adjourned at 8:50 p.m
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