CITY OF BURTON

BURTON CITY COUNCIL MEETING

JUNE 4, 2019

MINUTES

Council Chambers	**Budget Workshop**	**6:00 PM**

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by President Steven Heffner at 6:00 PM.

A. CALL TO ORDER

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Late	6:05 PM
Duane Haskins	Vice President	Present	
Dennis O'Keefe	Councilman	Present	
Steven Heffner	President	Present	
Danny Wells	Councilman	Late	6:29 PM
Vaughn Smith	Councilman	Present	
Christina Conley	Councilwoman	Present	

B. STAFF PRESENT

Mayor Zelenko,
Rik Hayman
Bob Slattery
Karen Moffitt
Dave Marshke

C. PRESENTATION & DISCUSSION

Mr. Hayman stated I have given you a list of the business's with outstanding personal property debts to the city. Letters have gone out to these businesses and we have collected close to $30,000 so far. I have a more detailed list that I will share with council. The Treasurer has done a great job of pulling this together.

Water Fund

Ms. Moffitt stated the unrestricted fund balance is in the negative by $1,473,620.00. We have had to take from our savings because our regular cash balance was negative. We are over spending in the water fund. We have talked about looking into a possible rate increase and/or reducing expenditures. In the 5-year projection, you will see the deficits go up each year due to rising costs. This does not include heath care and retirement because we do not know if this will go up or down. We will know more in June when we get our OPEB Valuation Report for 2018.

Mr. O'Keefe said he is very concerned about this deficit over the next five years and having to pull out money from the general fund to pay the bills.

Mr. Smith said these numbers do not reflect putting anything away towards infrastructure. On the positive side, we have been able to update some of our water system. This was a substantial $18 to $21 million dollar investment. We may have done too much too fast but we had leaks all over the south end of Burton. It was getting to be very costly, spending money on labor and materials to fix the infrastructure because it was so bad. We cannot wait too long or it is more expensive to fix.

Mr. Hayman asked who would feel the brunt of these rate increases. I have heard that it will not be the residences but the commercial customers who are not paying their fair share.

Mr. Marshke stated the commercial customers are pulling a bigger burden on the system. The bigger their pipe size, the more use and demand they put on the system. They need to pay more to maintain that system and for upsizing the system in the future. They are not paying their fair share. The commodity they pay is the same as residential.

Mr. O'Keefe suggested seeing a full 10 year Revenue/Expenditure Projection, not just 5 years.

Ms. Moffitt said you are supposed to not only have a balanced budget but you should be building your fund balance for future improvements.

Mr. Martinbianco stated the depreciation is what you put aside; however, that is today's dollar and not 40-50 years from now. The readiness to serve charge is indicative to what it actually cost to do the work in the year that it is done. Those two items alone should be singled and proportioned out so that they represent an annual cost that is really a non-cash expense. Replacing large industrial line would be factored in at the beginning of the project. Then you would have a better idea of what future expense, repairs and maintenance would be. The depreciation may need to be put into a sinking fund. If nothing else, the readiness to serve charge should go into a separate fund or that same fund and allow that to be a restricted non-cash expense. Then we can add to that and draw from that as needed.

Ms. Moffitt said our estimated revenue for 2019-20 year is $6,236,600.00. The expenditures came to $6,447,700.00. We are overspending by $211,100.00. If you compare our revenue projected for next year to this year, it is down about $400,000.00. This is because we will no longer have any revenue from the DWRF Project. This is why the revenue is short. Tap-in fee & inspection fee revenue were reduced because of a reduction in new builds. Late charge revenue should increase due to elimination of the lockbox.

Mr. Smith requested giving council a copy of the 2018 actuary report as soon as it comes in.

Ms. Moffitt stated the equipment rental was eliminated for Project Fusion because we do not expect to have that next year. The budget for bad debt expense was eliminated because we have not used that line item in a few years. We lowered fire hydrant refunds based on the prior year and what we are anticipating for this year. The special assessments for the city owned property was lowered. Depreciation expense went up due to finishing the DWRF projects.

Mr. Smith said we have a structural deficit in the water fund. Our sewer fund is doing quite well.

Mr. Marshke said we should have been increasing the water rates by at least the CPI every year. Many munipalities do this every year. When we do have an increase, it is much more because we do not raise this a little bit each year. We had to come up with an asset management plan for the water system and submit it to the state. This is a 5, 10 and 20-year plan that is spelled out and we have to follow this.

Mr. Smith asked if we did too much pipe too fast.

Mr. Marshke stated absolutely not. If we had not replaced these pipes, the State would have place consent orders and fines on us every day until we were in compliance. In 2006, 35% of our water was unaccounted for. We are at about a 1% water loss right now.

Mr. Smith suggested that council attend the Woodhill workgroup rate Study meetings.

Mr. Hayman said you can have a meeting with Woodhill if it is posted. I think that Woodhill will come to a council meeting and present ideas. At the MERS conference that I attended they talked about adjusting the rate of return. We knew that was coming and that it would be a hit. They also talked about not moving as quickly on the reduced amortization schedule to help us out.

Sewer Fund

Ms. Moffitt stated the sewer fund has $12,098,612 in unrestricted fund balance for future projects. Projected revenue of $6,202,700 for 2019-20, expenditures of $5,989,900, excess of revenue over expenditures of $212,800, adding that to the estimated beginning fund balance of $36,277,555 will give us an ending fund balance of $36,490,355. Ms. Moffitt stated under penalties we have increased that revenue. If we eliminate the lock box, we should be able to start assessing our penalties earlier and that will bring in more revenue to the sewer fund. The depreciation expense went up because we are getting our DWRF projects finished and on the asset schedule. As with water, the shared salaries increased due to the Treasurer's office spending a lot of time in water and sewer. We were not really allocating their costs to those funds, as we should have done.

Discussion on borrowing or transferring money from the water fund to the sewer fund. Mr. Hayman said he would check on this.

Mr. Marshke spoke regarding inflow and infiltration manholes or I&I. He said I&I is unwanted ground water/rain water getting into the sanitary sewer systems through manholes that are under water or taking on water, sanitary sewer leads, illegal sump pump connections and cleanouts without caps around the homes that take on water. By 2021, the Genesee County Water & Waste will have to start penalizing customers, (us) and all of the people that share their collection system if they do not get a handle on their I&I. We know we have a problem. I have been attacking ours very aggressively. I have been seeing these numbers get smaller over the past year or two. The numbers meaning what we bill out to our consumers for water that we purchase from Genesee County. I&I is water getting into the system that is not supposed to be there.

Building Department

Ms. Moffitt stated we are projecting revenue of $403,100 for 2019-20, expenditures of $498,300, excess of expenditures over revenue of $95,200. Subtracting this excess from estimated beginning fund balance of $925,536 will give us an ending fund balance of $830,336. Previously, we had recorded all of our sale of property revenue in the general fund. With some discussions, it was decided to allocate 75% to the building department and 25% to the general fund to match the revenue with expense because the staff in the building department are spending more time on that. We still need to amend this year's revenue because we have allocated that to that fund. The next meeting I will bring a budget amendment for that. The contractional service line item was decreased because we have the Building Inspector vacant position. We have had to transfer funds from the salary line item down to the contractual services line item to pay someone to fill in for that position. This budget reflects that we will fill the actual position and if we do not fill it then we will have to transfer funds down to that line item. If we do hire someone, they will need training so we increased the training to $1,500.00. The office equipment line item was increased to $5,000.00. They would like to purchase a tablet and software for onsite inspections. The software will help increase efficiencies, help schedule the work and monitor the activity and jobs. The utilities budget was increased due to rising utility costs.

Meeting was adjourned at 8:22 PM.

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